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Management

METHODS

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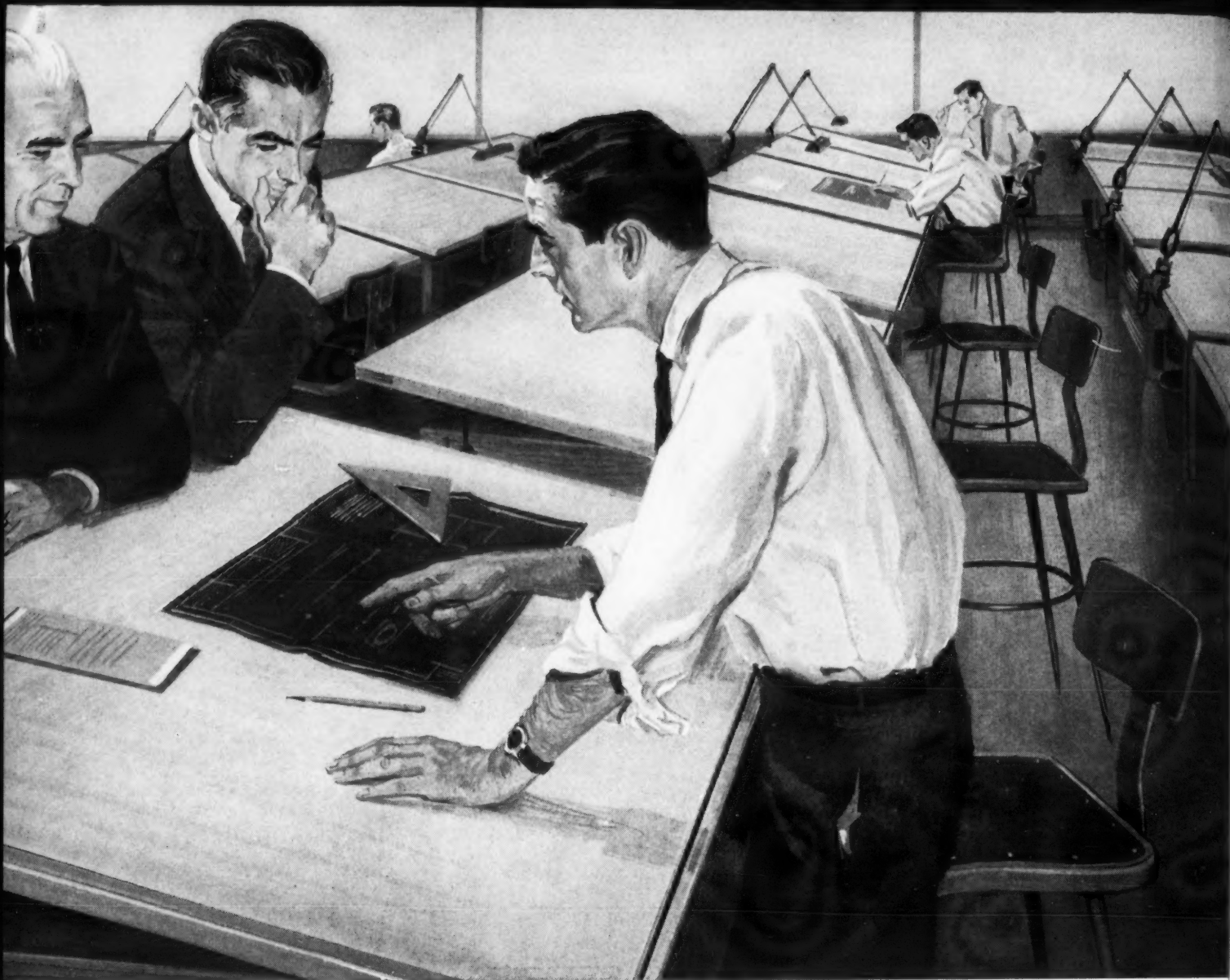
PRACTICAL SOLUTIONS TO ADMINISTRATIVE PROBLEMS



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How to build a business of your own

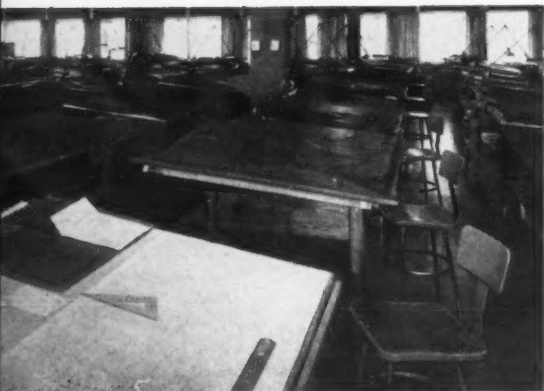
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HANDLING WORKER GRIPES *page 37* • BIG VALUE IN A COMPANY CHOIR *page 39*



McDonnell Aircraft wanted seating
to reduce the fatigue factor

... they chose *Royal*[®]



There's no "fatigue letdown" in this busy engineering department, with its "personalized" posture seating by *Royal*! Telescoping chair legs permit quick individual seat-height selection. Back rest adjusts forward, backward, up, down, to exactly suit each person's needs. And the sturdy construction for which *Royal* is famous means top efficiency and economy year after year.

In drafting rooms, factory or front office—*Royal* posture seating helps create efficient alertness that assures better, safer work. See what 60 years' service to business and industry has achieved in modern seating . . . write for your free Catalog No. 7001. Royal Metal Manufacturing Company, One Park Avenue, New York 16, N. Y., Dept. 4-L.

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Latest reports on how this low-cost photographic process is simplifying routines for more than 100 different types of business . . . thousands of concerns



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NEW YORK, N. Y.

The operations of hundreds of clerks in Merrill Lynch, Pierce, Fenner and Smith's 125 offices are backed up by Recordak Microfilming in the Home Office cashier's department.

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SPEEDS HANDLING OF DEALER PAYMENTS

FORT MADISON, IOWA

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BILLING MADE EASIER

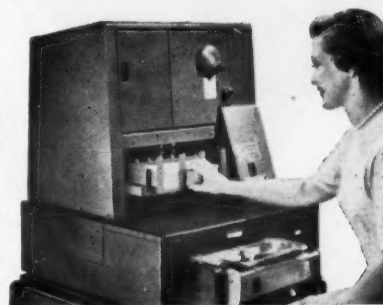
BOSTON, MASS.

The 125-year-old S. S. Pierce Company is world-renowned for its products, customer service, and handsome catalog, *The Epicure*, which is distributed semiannually to more than 100,000 connoisseurs of fine foods.

Recordak Microfilming makes it easier to bill the thousands of charge account customers who order through *The Epicure* or trade directly with the firm's eight stores (three in Boston, four in suburbs, one in West Hartford, Conn.). This low-cost photographic process lets S. S. Pierce return the original sales checks to the customer with a brief statement—does away with typing an itemized bill. This reduces billing costs. Also eliminates copying errors and delays in mailing.

HOW YOU CAN PROFIT, TOO

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Management

METHODS

Volume 15

Number 3

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Management

METHODS

Volume 15

Number 3

22 West Putnam Ave., Greenwich, Conn.

Publisher

Jerome W. Harris

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Art Director: Laurence Lustig
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Adv. Production: Nelda Green

Business Manager: Edwin D. Kline
Circulation: Elizabeth Stone

Advertising Offices

New York 141 East 44th Street, MU 7-0583 Dir.
Sales Development: Gil Hand—Harrison M. Rollins
—Sherman Laire—Joseph Hanson

Chicago 612 North Michigan Avenue, Del 7-0112
Western Division Manager: William S. Hutchings
—Alfred A. Spelbrink—John Hynes

Los Angeles The Robert W. Walker Co., 730 South
Western Avenue, Dunkirk 7-4388

San Francisco The Robert W. Walker Co., 57 Post
Street, Sutter 1-5568

Houston Ralph Runnels, 5210 Morningside Drive,
Jackson 4-6633

A publication of

MANAGEMENT MAGAZINES, Inc.

22 West Putnam Avenue, Greenwich, Conn.
Townsend 9-8585

President and Treasurer, W. S. Kline; Vice President, J. W. Harris; Vice President, A. J. Kaiser; Secretary, E. D. Kline



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Management Methods is indexed
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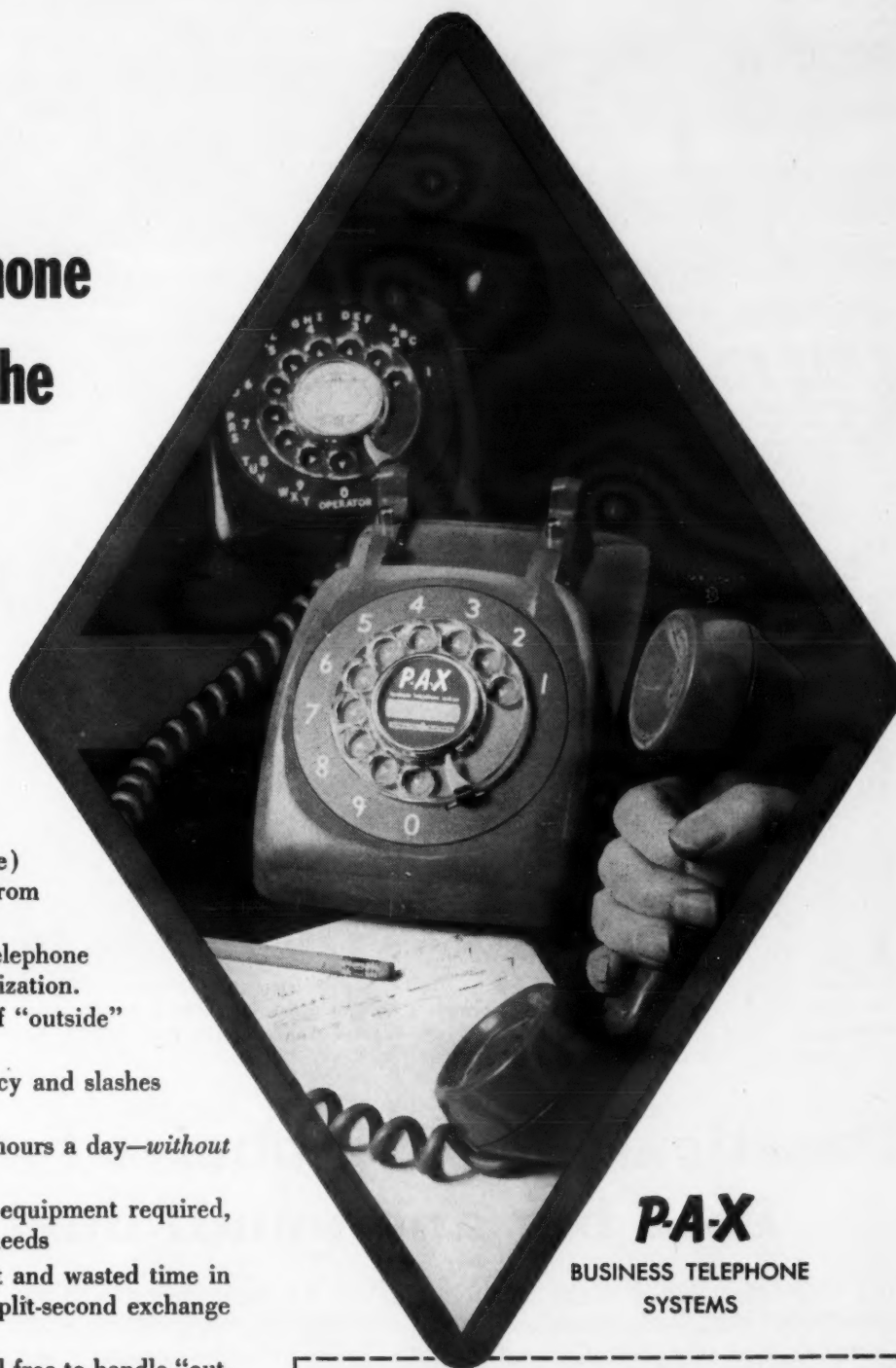
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SECOND telephone
that marks the
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(Circle number 102 for more information)



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Practical lighting choice for both big and small business

The windowless design of the "nerve center" of this large aircraft and missile manufacturer allows for complete control over lighting, temperature and sound. Complete flexibility, too. Compatible with a wide variety of ceiling types, the fixtures used here can be moved as easily as the office partitions.

With such emphasis on efficiency and flexibility, Day-Brite lighting was a *practical* choice.

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Day-Brite Lighting, Inc., 6282 N. Broadway, St. Louis 15, Mo.
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*Patent applied for



United States Rubber

Coated Fabrics Dept., Mishawaka, Indiana

(Circle number 139 for more information)

NEW PRODUCTION TOOL FOR ADDRESSOGRAPH LOW-COST PAPERWORK AUTOMATION



GRAPHOTYPE CLASS 6400

Designed to simplify and speed the production of Addressograph Master Records, the new Graphotype Class 6400 is easier to operate, reduces costs and increases production from 10% to 35%. It's available for all Addressograph plate styles, and is equally useful for credit and identification cards.

Teamed with an Addressograph machine, it provides for a fast, simple, economical method of storing repetitive data

on self-writing master records and mechanically writing that information accurately on the numerous forms required to activate and control everyday business transactions.

For complete details about this important new advance in paperwork automation or a report on how Addressograph automation can cut your costs, call your nearby Addressograph office or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio.

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How to cut paperwork costs

"Scientific Records Management" tells how to save up to 65¢ on every dollar spent on recordkeeping.

This 20-page booklet, prepared by the New York State Department of Commerce, points out specific ways in which paperwork costs can be cut. It sets up objectives and physical guides to evaluate just where and how procedures can be streamlined.

For individual analysis, the New York Department of Commerce invites business organizations to complete a fact sheet included in the booklet. Without charge, it will study the data presented and suggest where paperwork cost reductions can be made.

For a free copy of this booklet on recordkeeping, circle number 244 on the Reader Service Card.

About Australian economy

Matson Navigation Co. in a 22-page booklet, "Report on the Australian Economy," reviews the surge of business activity and growth there. According to the survey, American investors on that continent have been able to earn an average 30% on their capital, one of the highest rates in the world. The report also states that Australia can absorb new investment at a rate of 25% of its annual income.

For a free copy of the full report on the present and future economy of Australia, circle number 265 on the Reader Service Card.

Flexibility for work stations

Art Metal Modulares are described in a 32-page booklet as the permanent answer to changing office layout requirements. With 130 interchangeable work top and storage components available, almost any type work station or office can be devised and quickly assembled. Just as quickly, without special tools or skill, they can be re-arranged as work flow patterns require or the number of employees changes.

Numerous diagrams suggest a wide

variety of space-saving arrangements to tailor work areas to specific jobs. The booklet also describes and illustrates modular partitions for varying degrees of privacy.

For a free copy of this full-color guide to work station arrangements, circle number 262 on the Reader Service Card.

Facts on New York City

Comprehensive statistics on the five boroughs and the metropolitan area as a whole have been compiled in a new 40-page "Business Fact Book—New York City."

Firms considering relocation or expansion will find this reference tool a valuable introduction to New York City's assets. Detailed data is given on population, labor force, income, housing, agriculture, manufactures, wholesalers, retailers, service trades, personal income, employment, education, bank deposits, real property taxes and public water supplies.

For this free business fact book, circle number 261 on the Reader Service Card.

How to prepare teaching aids

An authoritative and comprehensive report, "Business-Sponsored Teaching Aids," by Thomas J. Sinclair, Ph.D., is offered by *The Instructor Magazine*. The findings and recommendations presented represent years of study and research made by Dr. Sinclair, first as a teacher and later as head of school and college services for the Association of American Railroads.

The book discusses the nature, purpose and content of educational materials. It gives suggestions on preparation, evaluation and distribution of educational aids. The report contains recommendations of a highly practical nature and value. Its 113 pages are amply documented with charts, tables and statistics.

For your free copy of this book, write to The Instructor Magazine, 75 East Wacker Drive, Chicago 1.

On European Common Market

A new 28-page booklet "The European Common Market" will be of interest to those American businessmen with current or future interests abroad.

Published by The First National City Bank of New York, the facts and figures presented will help clarify ideas and formulate decisions on the problems involved in a single market in Western Europe.

The piece is well illustrated with statistical tables, charts and photographs.

For your free copy of this booklet, circle number 243 on the Reader Service Card.

For long range time planning

A handy device to help executives plan for a full year on one sheet is offered by Barrington Associates, Inc., management consultants.

The Executive Time Planner as it is called, shows six months at a glance with all major holidays indicated. Dated boxes make it easy to schedule trips and flag priority commitments and deadlines.

For this free time planning calendar, write to Barrington Associates, Inc., 230 Park Avenue, New York 17.

Management and automation

"Automation and the Manager" is a reprint of an address made by John Diebold, president of the firm that bears his name, at the 11th International Management Congress, Paris.

In this 25-page presentation, the point emphasized is that despite the lively interest in buying automation hardware, far too little thinking is done about *how* to use it.

Mr. Diebold exposes widely accepted stereotypes of automation that block effective thinking on management's part. He points the way to four positive fundamentals to explore for successful automation.

For this free booklet on automation, circle number 264 on the Reader Service Card.

TODAY'S

"handwriting on the wall"

IS PUNCHED IN *tape* BY FRIDEN



Automation which has been predicted for offices of the future is *here today* because of a Friden development called Tape-Talk.

Tape-Talk is the operation of Friden automatic machines. These machines handle major office routines by calculating, reading and writing with punched paper tape. The machines work individually or in combination.

Office workers simply give general starting orders to the machines. Functioning in their world of Tape-Talk, Friden machines can:

(1) Eliminate need for manual movements and most conventional operator decisions... (2) Increase work volume output without increasing payroll costs or overtime... (3) End errors normally occurring in data recopying.

Look into this practical, deliverable miracle—Friden Tape-Talk. Call your Friden Man or write Friden, Inc., San Leandro, California. Sales, instruction, service throughout U.S. and the world.

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writing-accounting machine

Automatic Input-Output Machine



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billing department in one desk

Friden Mailroom Equipment

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The Thinking Machine of American Business

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eliminate *waiting-time* irritation

If you've ever waited for a vital paper while mounting minutes played havoc with your good nature, you'll be interested in Safeguard! Engineered by Globe-Wernicke, Safeguard is a time and motion, color-keyed system of filing... so simple to understand anyone can learn the procedure in a matter of minutes. And Safeguard's components (letter or legal-size guides and folders) fit *any* filing drawer or cabinet... no new equipment needed!

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*Dealers listed in yellow pages under "Office Furniture"



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"**SAFEGUARD** is my choice, because any information or correspondence I need from the files gets to my desk *fast*. 'Out guides' end 'missing papers' too!"

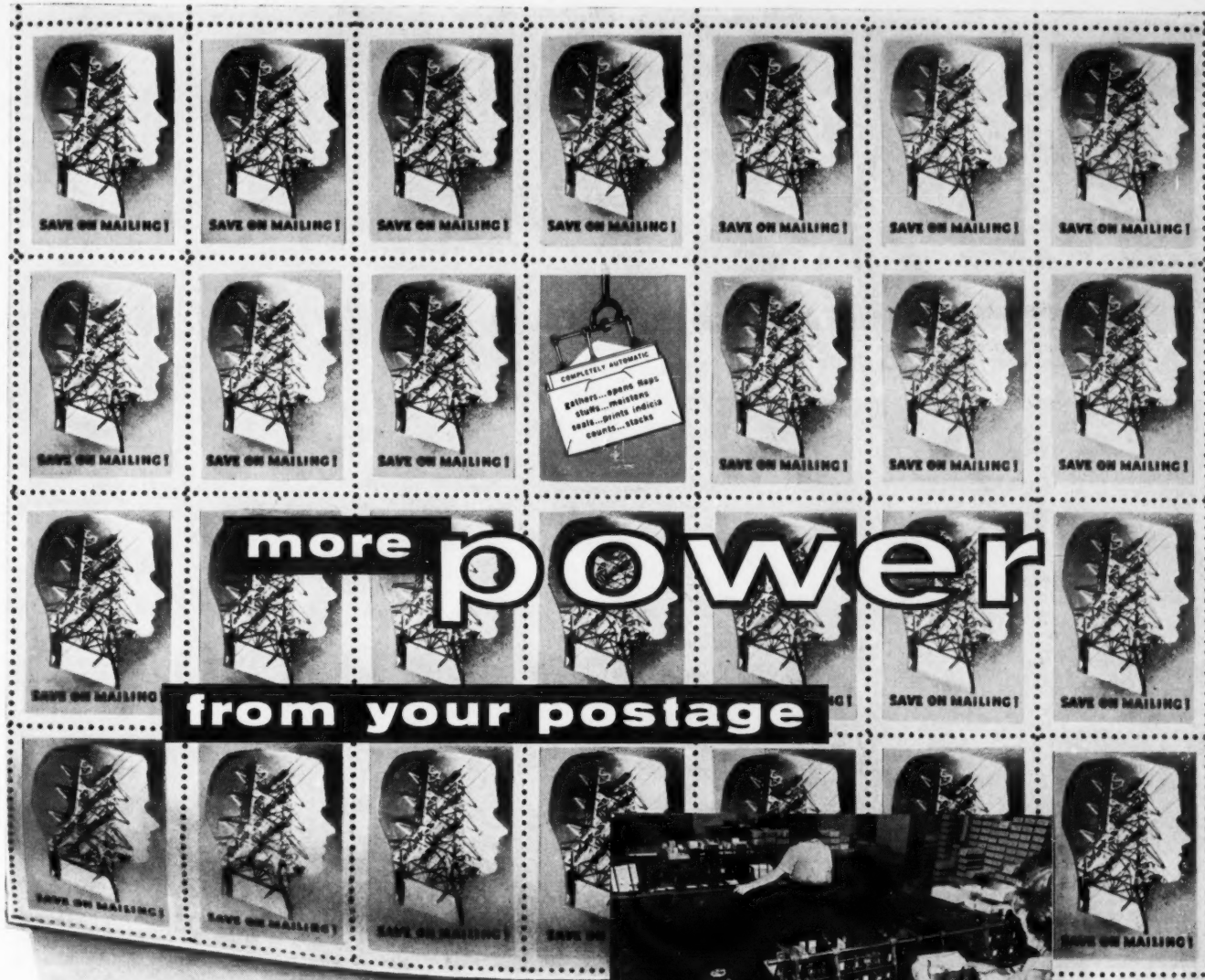


"**SAFEGUARD** is my choice, because it's so simple to follow that it takes me *less time* to do the filing. Safeguard's color-keyed tabs flag instantly just the folder I want."

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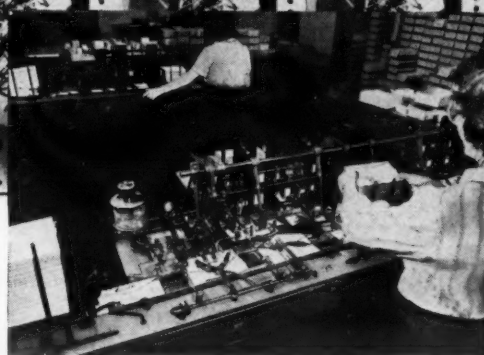


"**SAFEGUARD** is my choice, because it keeps our files *under control* at all times, and makes it easy to expand our filing operation."



Save money with the Phillipsburg Inserter

...it mechanizes your mail room



Phillipsburg Inserters at Long Island Lighting Co.

Money-wise mailers have found the way to beat rising postage costs — thru mechanized mail processing on the Bell & Howell Phillipsburg Inserter! They've discovered that the Phillipsburg actually *saves* them money six ways: (1) by doing the work of dozens of hand workers with only *one* operator; (2) by producing twice the volume of mail in half the time; (3) by eliminating expensive supervision and overtime; (4) by inserting extra enclosures at no extra cost; (5) by reducing costly errors and waste; (6) by releasing valuable floor space for more productive use. For example, firms like the Long Island Lighting Co. continue to increase mail volume with Phillipsburg Inserters — thru fast, accurate, low-cost mail processing!

YOU, too, can save with mechanized mail processing! SEND COUPON!

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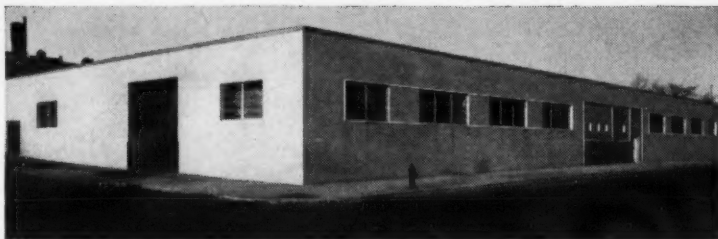
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A. VIRGA, GENERAL MANAGER of the Original Crispy Pizza Crust Co., Inc.



THE ORIGINAL CRISPY PIZZA CRUST CO., INC. in New York City, New York.



THIS NATIONAL ACCOUNTING MACHINE has increased record-keeping efficiency, reduced operating expenses for the Original Crispy Pizza Crust Co., Inc.

"Our *National* System
saves us \$5,400 a year...
pays for itself every 11 months."—Original Crispy Pizza Crust Co., Inc.
New York City, N. Y.

"Our business has increased 100% since we installed our National System," writes A. Virga, General Manager of the Original Crispy Pizza Crust Co., Inc. "Yet our National continues to handle all accounting work with maximum speed and efficiency."

"We find that mechanization with a National has made important time and money-savings for us. Overtime work that was necessary with the pen-and-ink method we used previously has been completely eliminated. And because our National is

simple to operate, anyone can quickly learn to use it.

"Through reduced operating costs and increased record-keeping efficiency, our National System saves us \$5,400 a year, pays for itself every 11 months."

Andree Virga

General Manager of the
Original Crispy Pizza Crust Co., Inc.

Your business, too, can benefit from the increased economy made possible by a National System. Nationals pay for themselves quickly through savings, then continue to return a regular yearly profit. National's world-wide service organization will protect this profit. Ask us about the National Maintenance Plan. (See the yellow pages of your phone book.)

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CASH REGISTERS • ADDING MACHINES
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THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio
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Lock to the Floor!

• PAY FOR THEMSELVES OVER AND OVER IN VALUABLE FLOOR SPACE SAVED!

Safety engineered. Constructed from tubular aluminum. Side protectors; safety treads on steps. Baked-enamel finish in silvertone and a wide variety of colors. One to six steps. Greater heights available on special request.



Model SS-30
Top Step Ht. 27"



Model SS-60-DH
Top Step Ht. 54"

OTHER MODELS:

Model No.	No. Steps	Top Step Ht.
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SS-20	2	18"
SS-40	4	36"
SS-50	5	45"

Handrails available for 4, 5, and 6-step models.



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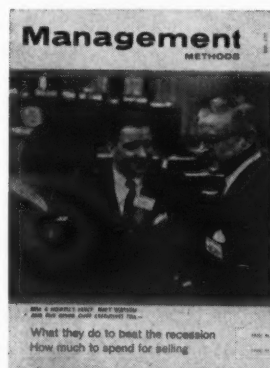
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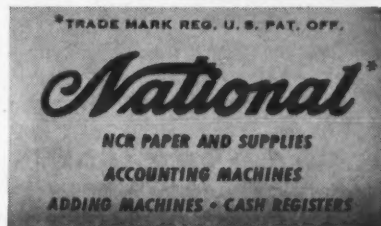
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(Circle number 132 for more information)



Letters

More about how MM is used

EDITOR'S NOTE: In the October issue a questionnaire was included asking for comments on how readers use *MANAGEMENT METHODS*. Last month we published some of those comments. Here are just a few more of the many replies received:

"The articles in your magazine hold more real interest for our operating staff than any other we receive."

"An excellent publication! Pulls inquiries from good prospects."

"I read your magazine regularly. I consider it really good—the best in its field. The management profiles have the depth and reality to be practical, interesting and stimulating."

"Excellent business comment, enthusiastic, hard hitting—points up management improvement facts."

"Constantly stimulating. Amazing how the fresh, vital approach is maintained in every issue. Best in the field in my opinion."

Formula for scientific decisions

SIR: In his article, "How to make decisions scientifically" [*MM*, Oct. '58], Jules Sloat describes a method for assigning numerical weights to elements involved in a decision. This method can be greatly simplified by doing the steps in the right order.

Mr. Sloat *first* wrote down the numbers 1.00, .70, .60, and .60 for A, B, C, and D, respectively, and *then* began to define the relative weights of the four elements. As a result, he had to make two changes in the A value and one in B to arrive at the weights 2.50, 1.20, .60, .60.

These final weights (or a comparable set) can be obtained at once if all relationships are stated first and if numbers are then assigned from the bottom up (least important elements first). In his example:

1. A is most important, then B, then

— 1003/0 —

Translation: "I quit!"

Hard-to-replace secretary on the brink of farewell — fed "up to here" with her big boss's small-time office. Cramped, cluttered, destroying morale and productivity.



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C and D. This establishes the proper order A, B, C, D.

2. "C is considered to be equal to D," so assign them the same number. Any number will do; Mr. Sloat chose .60: C equals .60, D equals .60.

3. "B is considered to be equal in importance to C plus D." C plus D equals .60 plus .60 equals 1.20, so B equals 1.20.

4. "A is more important than the other three together." B plus C plus D equals .60 plus .60 plus 1.20 equals 2.40. Thus, A must be assigned a weight of more than 2.40. Anything from 2.41 up will do. Mr. Sloat picked A equals 2.50.

The original set of numbers assigned in the article and the first revised set served no purpose whatever. The scientific method works best when one proceeds as far as possible on the basis of logic, withholding the introduction of numbers until they are of real value in testing or extending the logic.

NORMAN E. ALBRECHT
INVESTORS DIVERSIFIED SERVICES, INC.
MINNEAPOLIS

SIR: I have just read and, as usual, enjoyed MANAGEMENT METHODS. I can not help feeling a little uneasy, however, about Jules Sloat's article on "scientific" decision making [MM, Oct. '58]. The mental gymnastics of this method are interesting and no doubt useful in emphasizing the importance of objectivity in decision making, but the method would be more accurately described as "pseudo-scientific."

The idea of assigning weights to the several variables that are pertinent in decision making is recognizable as a contamination of one of the most powerful tools that statisticians and researchers have run across in years, i.e., multiple regression analysis.

This truly scientific technique, unlike Sloat's method, does not rely on intuition to determine which variables are really pertinent, nor does it assign weights to the pertinent variables on the basis of "guesstimates." As a matter of fact, depending upon the actual variation in the "scores" used in Sloat's method, the actual influence that each variable has on the decision may be quite different from that intended. It would be quite dangerous to place great confidence in decisions reached by the suggested method because they were "scientifically" derived. Mr. Sloat may be systematic, but hardly scientific.

JOHN C. MALONEY, PH.D.
MANAGER, MARKET RESEARCH
OMAR, INC.
OMAHA



Tax quiz

A digest of recent court cases compiled by Benjamin Newman, Tax Attorney, Koenig and Bachner, New York.

THE QUESTION

A retailer operates his business on a cash basis and keeps inadequate books. Can the government use an accrual basis in determining his income for tax purposes?

The Facts—This taxpayer owned a retail meat and grocery business. He failed to file income tax returns for the years 1944 to 1949. The government became aware of his delinquency and notified him of the fact in 1950. The retailer immediately engaged a lawyer and an accountant. Using the inadequate books and records kept by this retailer, they prepared all the missing returns on a cash basis and filed them during that same year, 1950.

The commissioner of internal revenue examined the books and found them to be inadequate. In addition, proof of billings and expenditures such as invoices and checkbooks were unavailable. In such a case, it is the policy of the commissioner to make his own determination of a taxpayer's income by employing net worth plus expenditures to determine income.

The commissioner, aided by the retailer's attorney and accountant, thereupon determined the taxpayer's income for each of the years in question. This took some time, and it was not until 1953, three years after the returns had been filed, that the commissioner served the storeowner with a notice of deficiency for each of the years 1944 to 1949.

The taxpayer interposed three objections. First, he claimed that the commissioner had no right to redetermine his income by the net worth method, since that method uses an accrual basis, and the taxpayer operated on a cash basis. He also claimed that by filing the returns before the notice of deficiency was served, he escaped the fraud penalty that the commissioner had assessed upon him. Last, he alleged that the notice of deficiency had been served too late to have any legal effect and that it was barred by the Statute of Limitations.

The Ruling—Let's treat the taxpayer's objections in the order enumerated:

1. Net worth is not a system of accounting, so the

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fact that it employs accruals instead of cash as its basis is immaterial, the court said. As a store owner, the taxpayer had inventories to account for, and wherever inventories are involved in tax accounting the accrual basis must be used.

2. In failing to file returns for 1944 through 1949, the taxpayer was guilty of the act of evading payment of his taxes. Evidence pointed to the fact that he deliberately withheld information and acted with intent to defraud. The subsequent filing of income tax returns three years before notice of deficiency was served did not erase any liability for the fraud penalty.

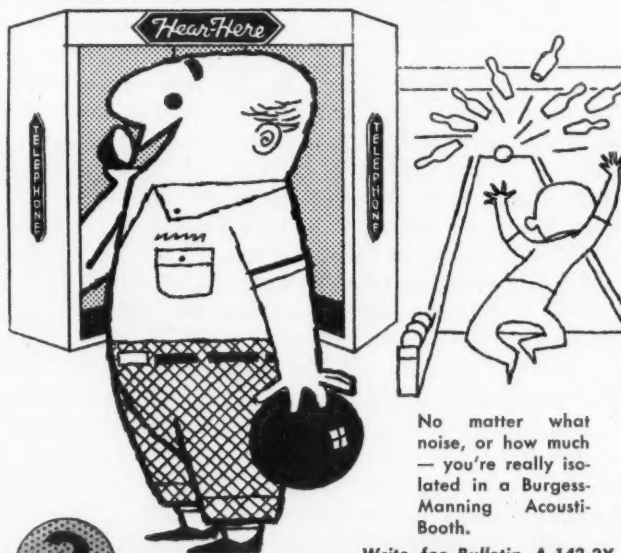
3. Ordinarily, a notice of deficiency must be mailed within three years after a return is filed. This three year "Statute of Limitations" is extended to five years if the income omitted from the return is more than 25% of the total income reported. If the return is prepared fraudulently, the period is extended indefinitely.

The court found that although the retailer had acted fraudulently during 1944 to 1949, the returns finally filed in 1950 for those years were honestly prepared—incorrectly, it is true, but not fraudulently. Thus, all the years in which the omitted income was less than 25% of the reported income were immune to any further taxation as being outside of the five-year Statute of Limitations. The deficiency for the years 1944 and 1948 exceeded 25% and so the taxpayer had to pay the deficiencies for those two years.

(*Charles F. Bennett et al v. Commissioner of Internal Revenue, U.S. Tax Court, decided April 28, 1958.*)

Gotta hurry back Joe, and see Ray's score
— I can't hear a pin drop in this —

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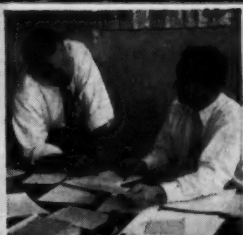
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■ ANYONE CAN SERVE as a business builder for a community. Take this as a case in point.

Hilliard Davis is a friendly filling station operator who likes living and working in West Plains, Mo.—and doesn't mind saying so. En route for some fishing, President Edward T. McDaniels of Southwest Truck Body, Inc., stopped off at his gas station. Besides good service, he received a bit of boasting about the town. Impressed by the enthusiastic comments, the visitor ventured the thought that he might be interested in moving a factory to such a fine town.

Business Booster Davis promptly arranged for a meeting at the Chamber of Commerce. End result: Southwest Truck Body leased a \$100,000 building there, West Plains has added a \$500,000 annual payroll, Hilliard Davis has a bigger business and Edward McDaniels is close to good fishing. And everyone else is reminded that he can do his share in attracting industry to a community.

HAVE SALESMEN PROVE CALLS WITH PHOTOS

■ DO YOUR SALESMEN have pet products they push—at the expense of other profit-makers in the line? Do they call on certain customers

—and neglect others for personal reasons? If so, you might try the trick that turned the sales tide for Bell & Howell in this situation.

After careful examination of order and call reports, Marketing Vice President Carl G. Schreyer determined one product was gathering dust in some districts. Then this order went out to all salesmen: "Have someone photograph you showing Model 4932 to each dealer you call on, and send the prints to the home office."

In four weeks, over 1,000 photos poured in. Most important, says Schreyer, sales of this item went up 28% during the month following the request for pictures.

FREEZE OUT COMPETITION!

■ HERE'S A REAL COOL WAY for retailers to discourage prospects from shopping around. The freeze-out technique, dreamed up by an appliance retailer is simple but pretty foolproof. When departing pros-



pects say "We'll think it over and let you know," the proprietor goes into action. Smilingly he presents them with a complimentary carton of ice cream. Somehow there's nothing like a box of melting ice cream

to dissuade folks from shopping around in competitive stores.

COST CUTTERS

CHECK POSTAL SCALE FOR ACCURACY

■ IF YOUR MAILING SCALE is off even one ounce, it can cost you real money. One firm reports losing \$1,000 a year, another \$43 a month—all because of overpayment on postage. On the other hand, underpayment creates ill will, causes costly delays in delivery.

Has your mailing scale been checked lately? Pitney Bowes, Inc. suggests this simple accuracy test. Place a silver dollar on the scale. It should weigh *exactly* 15/16 of an ounce. If it doesn't, you'll save money by having the machine adjusted or replaced.

CUT SHIPPING COSTS BY LEASING TRUCKS

■ AS AN ECONOMY MEASURE, consider leasing trucks rather than owning them outright. Gulf States Utilities Corp. is just one firm that endorses this method. It owned some 900 cars and trucks. Recently the company sold the entire fleet to the Beaumont Car Leasing Co., Beaumont, Tex., then leased it back.

Here are the advantages Gulf States cites for leasing rather than owning vehicles: release of capital

for more productive use, elimination of garaging and maintenance costs and headaches, doing away with cost analysis and bookkeeping involved in truck operations, and wrapping up truck operating costs in one tax deductible package.

Added economy note: firms that lease trucks report they can ship by this method for less than common carrier truck rates.

Leasing may involve any number of vehicles, from one to a large fleet. Special purpose trucks, such as those designed to carry liquids, frozen products or extremely heavy loads, may be hired. Lessees' names and trademarks can be painted on panel or other trucks if desired, and cartage contractors will even supply truck drivers.

SLASH ABSENTEEISM WITH CASH REWARDS

■ CASH BONUSES for perfect attendance have resulted in a sharp drop in absenteeism and tardiness at Pioneer Electronics Corp., Los Angeles—down from 23% to less than 1%.

Amounts awarded range up to three days pay. So far, Pioneer states, it has saved over twice the cost of the bonuses in elimination of overtime alone.

MORALE BOOSTERS

ENLIST AID OF WIVES IN SAFETY PROGRAMS

■ DU PONT CO. of Canada, Shawinigan Falls, Quebec, has a new slant on promoting safety, and thus keeping on the job.

Each month the wife of every plant employee receives a letter signed by her husband's boss. Aim of each message is to make all family members conscious of the importance of safety both in and outside the home.

The first letter introduces the "crusade against accidents" and encourages wife's cooperation in preventing off-the-job accidents. It

urges her to check the home for unsafe conditions and to instill in her children good safety habits. The second message emphasizes safety in and on the water and reviews artificial respiration procedures.

So far response to the letters has been good, Works Manager A. L. Barry reports. The series will continue with one letter going out each month centered on a specific phase of accident prevention.



DON'T HELP CREATE A DRINKING DRIVER

■ THE OFFICE PARTY with liquid refreshments is blamed by the National Safety Council for boosting the Christmas traffic toll. "Either dry it up or cut it out" is the Council's succinct advice to businessmen.

Drinking and driving are a lethal combination any time, anywhere, any season. Partly in recognition of this, a St. Paul industrial plant is starting an intensive, continuing campaign to reduce auto accidents. Employees will be asked to sign pledge cards agreeing to drive safely and obey all traffic rulings. House organ cartoons will emphasize road manners. Bulletin boards will carry safe driving reminders. Films on the subject will be shown at various employee meetings. They will pull out all the stops to cut traffic accidents.

PAY EXTRA ATTENTION TO MID-WAY EMPLOYEES

■ WITH ALL THE STRESS on the newly hired and the oldtimers, Pacific Mutual Life Insurance Co., Los Angeles, felt the man in the middle was a little neglected.

Like most companies, Pacific Mutual gives adequate attention to new employees with an orientation program. Much emphasis is placed, too, on workers reaching 10-year, 25-year and other anniversaries. Special attention is paid the retiring employee. But the man in the middle was more or less overlooked. To overcome this, a technique called Report Conferences was recently instituted by management.

Under this plan, all employees with three or more years of service have to date been invited to attend one or more of four informal talks designed to bring them up to date on various company activities.

Little known facts about company-related history, dating back to the Gold Rush, were included in the first session. In a second one-hour talk, personnel policies and practices were discussed by the manager of that department. When Univac data processing was installed, a picked group was invited to a meeting on the new system. Latest talk centered on the uses and results of a new sales portfolio.

Thus far, employee comment and reaction to these report conferences have been excellent, Training Assistant Gilbert K. Lampner says.

FERRET OUT HIDDEN TALENT

■ CONSIDERABLE EXPANSION at Orr & Sembower, Inc. created several new management posts. To reduce training costs and boost morale, this Reading, Pa. manufacturer decided to tap talent within its own organization to fill these vacancies.

A talent search was started. All employees were invited to participate by applying for new and bigger jobs. Eighty of the 450 employees took up the invitation. An outside consultant was called in to work with the Personnel Depart-

ment, and applicants underwent a battery of ability, aptitude and personality tests.

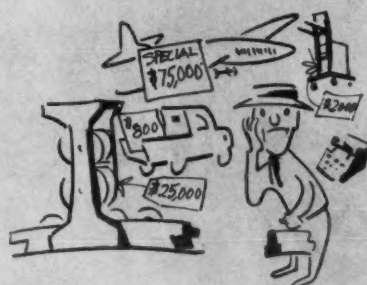
Examination revealed that 38 of the 80 volunteers had greater ability than their present jobs required. As a result, several of these individuals have already been promoted. The others have been put on a promotion waiting list as "immediate promotables."

Added bonus: the scheme helped publicize the company's established policy of promotion from within.

OFFER TRADE-INS TO WORKERS

■ HERE'S A METHOD used by Walter E. Heller Factors, Inc., Chicago, that kills two birds with one stone. It pleases employees and at the same time rids the firm of old equipment at no loss.

When ready to trade-in older typewriters for new models, Office



Manager John J. Weaver has the salesman determine the trade-in allowance. Then instead of turning the machines in, they are offered for sale to employees at the trade-in price. This plan, of course, allows employees to obtain typewriters for home use at considerably less than the prevailing market price for a used machine.

The idea could be adopted also for company cars and any other equipment that is periodically traded in.

FLAG PAY FOR SICK LEAVE

■ HERE'S A SIMPLE paycheck scheme used by a midwestern firm

Your Biggest Decision



What has been your most important management decision? Is there one (or more) that stands out in your mind? Would the story be of practical benefit to other administrative executives? If so, we'd like to know about it. Possibly it could serve as the basis for a brief item or a case history article. Address: The Editor, Management Methods Magazine, 22 W. Putnam Ave., Greenwich, Conn.

that calls attention to a company benefit.

Workers in the plant are allowed up to two weeks paid time off for illness. When a worker is out sick, he receives a green paycheck for that period rather than the standard yellow check.

The color-coded check for non-working time serves a double purpose. It's a reminder of pay an employee received for work he didn't do. And, it's a visual signal that such pay during illness is income tax free (up to \$100 a week).

TIME SAVERS

REPLACE FIXED FURNITURE WITH PORTABLE EQUIPMENT

■ FIXED TABLES in plants often result in unnecessary material handling. Also, they encourage bad housekeeping by accumulating unneeded odds and ends.

This was true at the printing plant of the 13th Naval District in Bremerton, Wash. H. F. Burby, district director, publications and printing office, found stationary tables and benches were actually slowing production. Although portable tables were used to move materials between operations, fixed tables were located beside most machines. In many cases materials were transferred from a portable to a stationary table. When processed, the material was moved to another table to await truck pick-up for transfer to the next operation.

To eliminate this unnecessary handling, 90% of the fixed tables were replaced by movable equipment. Results: increased production, added aisle space for speedy

material traffic and a cleaner, neater plant.

RECRUIT FROM REFERENCES GIVEN BY NEWLY HIRED

■ A RESULTFUL RECRUITING source, adaptable to any job opening, is used by The New York Port of Embarkation in filling scarce-skill jobs. Ordinary methods of recruiting marine diesel engineers left recurring acute shortages. Then a personnel man conceived the idea of combing references listed on employment applications of engineers hired by the Port.

This approach seemed promising since, in many instances, these references include persons qualified in the same line of work. Letters were sent to 400 individuals selected from this source. As a result, many additional applications were received and 17 marine diesel engineers were hired immediately. In addition, a reserve of 25 potential eligibles is available for future vacancies.

BRIEF THE NEWS FOR EXECUTIVES

■ READING DEMANDS on management can be a big time consumer. State Mutual Life Assurance Co. is one organization that has done something about this problem.

Nearly 100 executives in the Worcester home office receive a bi-weekly summary of important articles and news about the life insurance industry and related subjects. The pithy items are daily culled and condensed from about 50 magazines and newspapers by Public Relations Director John D. Drumme and his staff.

How to find and build

Hidden in the heart of many a corporate executive is the secret passion to take over a small business and build it to prosperity. Here is the story of two men who decided to do it. In this factual case history, you'll learn what it takes to make a small operation both personally gratifying and highly profitable. You will find ideas that can be adapted for profit in any company, small or large.

THE PROBLEM:

A sales executive has long repressed his urge to manage his own small business but now, approaching age 50, he decides "it's now or never."

THE ANSWER:

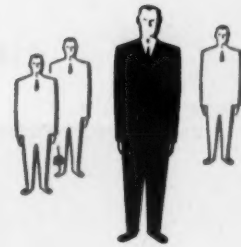
Through an imaginative approach, he finds a firm that he can head, and, with his new second-in-command, applies the same kind of management action that they both learned to handle in their big company posts. Result: a profitable small business that no big competitor can knock down.



THE MEN:

J. Lawrence Buell, Jr., president, (*above*) and Charles F. Trapp, Jr., vice president, (*opposite*) Formsprag Co., Warren, Mich.

PROFILE OF A NEW KIND OF MANAGER



a business of your own



THIS ARTICLE TELLS YOU

How to find a small company to manage (or acquire)

How to organize your job to enjoy it

How to sell a "hard sell" product

A case history

With an engineering degree in his hand and a determined plan in mind, J. Lawrence Buell, Jr., walked away from the University of Michigan in 1927. His plan was someday to head a small industrial concern.

Young Buell decided he could reach his goal by searching for a suitable company where he could become assistant to the top executive. As the top man advanced in years, Buell could perhaps buy an interest in the business and win the right to take over the management reins.

In the meantime, he needed a job and some business experience. He signed up with Reliance Electric and Engineering Co. of Cleveland, and was trained as a sales engineer and assigned to his hometown of Detroit.

Buell's interest and success in sales work partially dimmed his plan to manage a smaller firm. The plan could wait; he was busy now being a good salesman.

Later other things sidetracked his plan. The depression struck, and the time wasn't right to make

the move. There were young children to consider. In 1936 Reliance named him sales manager of the Michigan-Northern Ohio district; this meant new duties, more responsibility, more security, increased income. And the company was depending on him.

For 17 more years Buell continued with Reliance while sales in his district grew from \$500,000 to \$6 million annually. His position was much like running his own business. But it wasn't quite the same. Although he was operating his sales district with an almost completely free hand, he wasn't setting policy.

Why a small firm? The desire to make the key decisions was one big reason for Buell's small firm ambitions. Over the years he had solidified the long held opinion that in every company, regardless of size, only five or six men are the real decision makers.

"I have regarded many substantial organizations," says Buell, "and I am quite sure that in all of them all major decisions are made by no more

"The facts are clear: if I want to head a small firm, it's now or never."

BUELL



than a half-dozen men at the top. Others may contribute to the thinking, but these others aren't really making the decisions."

There were also other reasons why Buell wanted to head his own business. To quote him:

"In a big company, you tend to become a desk manager; in a small company you can know the operation intimately. You may work just as hard or harder in a small firm, but it is far more interesting. In a single hour your scope of attention may range from a review of the advertising budget to an analysis of a machine tool to an interview with an engineering job candidate. To me, that kind of diversity is the fun of business—the kind of fun a man doesn't get if he's the third vice president in charge of square nuts in a big company. A career as top executive in a small business gives you more freedom to enjoy life. Furthermore, the monetary rewards can be just as great as they are for the man who is vice president in charge of Division X of a very large company."*

Now or never. Buell recalls that it was in 1950 that he made a renewed appraisal of his situation with Reliance. The repressed urge to handle a

small company had continued to grow stronger, but so had his ties with Reliance. He realized that each step in his present progress meant that a bigger proposition would be required to cause him to leave. He had long since progressed beyond the desire for an "assistant to" position; only the offer of a presidency or its equivalent would interest him now. He feared that in a few years there might be few if any small firms that would appeal to him. Further, if he waited many years longer, his age certainly would not work in his favor.

Thus reasoning, Buell decided in 1950 to begin a search in earnest for a small industrial firm to manage. He told himself it was now or never.

The remainder of this article tells how Buell went about finding a small company that would offer the personal gratification and reward he was seeking, and how he has managed the company once he became its president.

*Management Professor John E. Burns, at DePaul University bears out this opinion on compensation. In a study of Chicago companies he found that, measuring compensation solely on the basis of its ratio to number of employees, the average compensation for small company executives is more than 50 times greater than for the average General Motors executive. The study included only firms with 50 employees or fewer.

PROBLEM NUMBER 1:

How to find a small company to manage

Through lawyers who handle estates, a firm is found that holds strong promise.

■ Lawrence Buell had made his decision to move from the operating level of a large company to the policy level of a small one. The problem he faced now was to figure out how to go about making this transition.

He could not blatantly advertise to one and all that he was planning to make a change, that his services were, so to speak, on the block, and that he was anxious to consider any reasonable offer. For obvious reasons, things would have to be handled far more discreetly than that.

But how can you be subtle and still make it known to the right people in the right places that you are, in fact, planning to make a change and that you are, indeed, anxious to consider any reasonable offer involving the management of a small company?

THE ANSWER

Buell mulled over the problem, came up with a simple, logical solution. His reasoning went something like this:

Many small companies are managed by the founder-owner. Many others are family corporations, headed and managed by one member of the family. When is it that such companies need someone to step in and take up the corporate management? Obviously, when the founder or owner-manager has died leaving no one in his family or in the company prepared to head the management. Who is in a position to select the management replacement? Obviously, the heirs of the former owner-manager. And who is most likely to advise the heirs on the selection of a management replacement? Obviously, the legal counsel who is handling the estate.

Based on this line of thinking, Buell's course of action was clearly indicated. Unostentatiously, he contacted law firms and attorneys

around Detroit. He reported to them that he was seeking a small firm to manage, one with good potential and preferably in the electrical manufacturing field, where his own experience lay. Buell set forth his management qualifications for the lawyers, and added that he was prepared to invest in the company if it met his specifications. He asked the attorneys to keep him in mind if and when they handled an estate whose corporate property might require his services.

These contacts resulted in a number of possibilities being called to Buell's attention. In each case Buell investigated carefully but found that none offered the kind of situation and promise that he was seeking.

This disappointing process continued for well over two years. Then one Saturday morning, late in 1953, Buell received a phone call from one of the lawyers he had contacted. The lawyer wanted to talk to Buell about a small concern called Formsprag Co., in nearby Warren, Mich. Formsprag was looking for a new president. The company was not in the electrical field, but the

lawyer thought Buell might be interested anyway.

Buell listened carefully to the description of the company, then sought out more facts. The facts indicated that this company was exactly what Buell was looking for.

Facts about Formsprag. Buell learned that Formsprag Co. had been born in 1943 to produce a small, obscure type of overrunning clutch for aircraft superchargers. The founder had financed the company with stock issued to friends and associates but had maintained a strong controlling interest for himself.

This war baby firm had survived after the war by finding a variety of industrial markets for its precision-made, low cost, non-slip clutches.

In 1952 the founder and operating head of Formsprag Co. had died. As a stop-gap measure, his brother-in-law had stepped in to keep things running, but had no intention of managing the company permanently. Now, in 1953, a search was underway for someone to take over. During its 10 years up to 1953, Formsprag's total sales vol-

"It was a one-product company, but the product could be adapted for a limitless diversity of markets."

BUELL



"The job was to get everyone into their own backyards—to convince the men that they had enough worries of their own . . ." **BUELL**

ume had amounted to just a little more than \$5 million. The company had a modern plant, some valuable patents, a small but adequate working capital, and a payroll of some 60 employees.

As Buell gathered facts and studied the company, one point stood out: the company's excellent potential. Formsprag Co. had only one basic product, the overrunning clutch, so it lacked product diversification. But the one product was such that it could be adapted for an all but limitless diversity of industrial markets—from woodworking tools and office machines to autos and heavy industrial machinery.

A goal reached. Control of Formsprag was now held by the family of the deceased founder. While Buell was quickly gathering facts about Formsprag, the family was gathering facts about him. Then, only two days after Buell first learned of Formsprag Co., he and the family owners began meeting together to see if they could work out a suitable management arrangement. Two weeks later, Buell emerged from these meetings with four things:

- A three-year management contract naming him president and general manager of Formsprag.
- A minority equity in the company which the family sold him on favorable terms to assure his conscientious management, and because the family wanted to diversify its investments. The stock entitled Buell to a seat on the board.
- An option to buy additional stock during a 10-year period—enough to give him working control.
- A reciprocal agreement stipulating that neither Buell nor the family would sell their stock without offering it first to one another. (Says Buell: "I didn't want to wake up some morning and find that someone else owned the company and I had a new boss.")

Thus, in December 1953, Lawrence Buell, at age 48, had finally reached a goal set 26 years before. He had thrown over the safer, more secure rewards of his big company

affiliation in order to test his skill as president of a small company, and to reach for the personal satisfaction and bigger financial rewards that he hoped his small company

would be able to bring him.

His problem now was to organize the company and his job in such a way that they would provide the expected rewards.

PROBLEM NUMBER 2:

How to organize a job to enjoy it

Use of big company methods of management in a small firm makes the job both profitable and personally rewarding.

■ Lawrence Buell was seeking both financial and personal satisfaction when he joined Formsprag Co. as president. But he knew big problems stood in his way.

During the Korean fighting, Formsprag had geared itself to military orders. By the time Buell entered the picture in late 1953, the war contracts had run out and there was not enough new business being sold to take their place. Profits had fallen off seriously during the past two years. Now the company was on the brink of a loss position. The advantage of a favorable cash position was sharply reduced by a weight renegotiation claim levied by the government.

These problems were severe, but not as severe as the problem of management organization. Formsprag's management consisted of a group of four intelligent, hard-working department heads. All were capable men but they lacked steady leadership and some lacked experience. As a result, they tended to pull in different directions. None seemed to have much confidence in the others' performance.

"Everybody was trying to do everybody else's job, and thought he could do it better," says Buell.

Lack of firm, functional organization at the top caused uncertainty

down the line as to who held authority and who reported to whom. Morale suffered.

THE ANSWER

In planning a course of action against these problems, President Buell took the position that by concentrating on the problem of management organization, Formsprag's operations problems would tend to be solved in the process.

His first action was to tighten up the management grip on the company. He did it not by cracking a whip, but by taking initial steps to create a clearcut, understandable pattern of organization, and a stronger, more formal chain of command. He began to define—and confine—responsibilities of the various department heads.

"The job was to get everyone into their own backyards—to convince them they had enough worries of their own without taking on everybody else's," Buell says.

At regular weekly meetings, inter-departmental relations got a thorough going over. Buell served as moderator, and personally made notes which were later circulated as a permanent record.

"Out of our meetings," says Buell, "have come mutual respect, una-

(Continued on page 54)

ARE YOU THE MAJORITY STOCKHOLDER IN A CLOSED CORPORATION? IF SO—

Who would own your business if you died right now?

Despite Section 303 and other liberalizations in the tax law, your estate might lose control of your business if the company lacks a cash surplus. One answer is company-owned insurance on your life. Here are the facts, plus a hypothetical example to show how they might apply to you.

by Samuel M. Lipp

Assume that a man has just died. He was the majority stockholder in a closed corporation.

It was just a year ago that this man checked over his estate planning and found his financial house to be in order. He found that there would not be enough cash in his estate to cover Federal estate taxes, but this posed no real problem. The reason it posed no problem was that his corporation possessed a healthy cash surplus. He had made arrangements so that, at the time of his death, his estate could sell some of his stock back to the corporation for cash, and use the cash to pay the estate taxes.

This transaction of selling stock back to the corporation would be made under Section 303 of the Internal Revenue Law. In a nutshell, here's what Section 303 says:

By meeting certain requirements, an estate can sell corporate stock back to the corporation without the transaction being ruled a taxable dividend to the estate. The amount of stock sold back to the corporation on this basis can be equal to the amount of Federal estate taxes plus final estate expenses.

Last year, when the man

checked over his estate arrangements, all was well. But since then, the corporation has been hit hard by the recession. The healthy cash surplus it possessed a year ago has now vanished and the business is in debt.

As a result, the family of this deceased majority stockholder finds itself in an untenable position. The reason is this: in most states a corporation can purchase its own stock only from surplus. The corporation now has no surplus, and thus cannot legally purchase stock from the estate. Because this is a closed cor-

poration, the stock has no ready-made market. As a result, the executor of this estate is going to have a difficult time generating the cash necessary to cover estate taxes and other expenses unless he gives up the family's control of the corporation or at least cuts deeply into the resources that the deceased stockholder had intended to leave for his family.

The answer: insurance

Now consider this fact: despite the severity of this situation, the entire problem could have been side-

ABOUT SECTION 303

Section 303 of the Internal Revenue Law is designed to benefit owners of small closed corporations. It is not designed as an aid to the multimillionaire. If you want to make sure that your estate will not be forced to relinquish control of the enterprise you have built, then Section 303, plus life insurance, working together, may form the best method of providing the tax free liquidity that will be necessary.

stepped. It could have been done through the simple expedient of an insurance policy taken out by the corporation on the life of the majority stockholder.

If such insurance had been in effect in this hypothetical case, the future security of the deceased stockholder's family would not be determined by the uncertain factor of whether the corporation happened to have a cash surplus at the moment of this stockholder's death. Instead, with the right kind of insurance, the stockholder's death would have created tax-free cash for the corporation—cash that could be used to purchase stock from the man's estate.

More and more owners of small closed corporations are planning their estates to include an insurance program designed to take advantage of Section 303 of the Internal Revenue Law. This method offers a logical solution to two key problems:

First, the fact that a corporation can (in most states) purchase its own stock only from surplus.

Second, the fact that an unreasonable accumulation of surplus by a corporation is subject to a penalty tax.

Let's take a closer look at Section 303, and how it can be used in conjunction with insurance.

The law states that if a stockholder of a closed corporation meets one of the following requirements, his estate is eligible for Section 303:

1. At least 35% of his gross estate consists of stock in a closed corporation.

2. At least 50% of his net estate consists of stock in the corporation.

If he owns two or more corporations, he must own at least 75% of the stock of each corporation to qualify for Section 303. If he does, then the corporations are considered together as one unit in determining whether he meets either of the two requirements above.

In most cases, the second of the two requirements above is easiest to meet, assuming the man has exercised maximum marital deduction in his estate. Let's assume we have a man with a gross estate of \$500,000.

Gross estate	\$500,000
Less final expenses, debts, etc.	50,000
Adjusted gross estate	450,000
Maximum marital deduction	225,000
Adjusted estate	225,000
Specific exemption	60,000
Net taxable estate	165,000
Amount of stock needed to qualify for Section 303 (50% of net estate)	82,500

In the same case, if the first requirement was applied—35% of the man's gross estate—he would need \$175,000 worth of stock in the corporation in order to qualify for Section 303.

In the above case, the Federal estate tax on a net estate of \$165,000 is \$40,200. The executor may offer stock to the corporation up to \$90,200 (amount equal to estate tax plus final expenses), and such a sale shall be ruled a sale and not a dividend. If the corporation purchases more than \$90,200 in stock from the estate, the excess will probably be ruled a taxable dividend and not a sale.

It is not a legal essential for a contract to be formally written between the estate and the corporation, but it is desirable that the minutes of the corporation and the records show this agreement.

Life insurance fits in naturally with the use of Section 303. Why? Because the very occurrence that creates the need for a legal surplus—the death of the stockholder—creates the surplus for the corporation. The life insurance proceeds are paid into the corporation coffers as tax free income.

There are a variety of specific advantages to the life insurance plan. Among them are these:

■ It is frequently impossible under today's high tax situation for a corporation to accumulate a surplus sufficient to enable it to purchase a substantial amount of stock from the estate of a deceased stockholder.

■ Even if a company does build up a surplus for this purpose, the

accumulated earnings tax may impose a penalty on the corporation.

■ Life insurance releases working capital. In place of accumulating earnings, the corporation has only to pay an annual premium.

■ The cash value of the policy is a corporate asset, available for all corporate needs. The annual increase in cash value represents tax free income. The annual payment of premiums frequently seems to be merely a transfer of funds from the cash account to the life insurance account.

■ Under this arrangement, the stockholder accomplishes his estate objectives without the use of his personal funds.

Why should the corporation buy the insurance, rather than the stockholder himself? Again, let's assume that our hypothetical stockholder needs \$100,000 in insurance for estate tax purposes. If he purchases the policy himself, he increases his estate and his tax burden considerably. For example, a man with a taxable estate of \$500,000 pays \$145,700 plus 35% of all above \$500,000. If he purchased a life insurance policy for \$100,000, then his estate tax would be \$180,700, or an increase of \$35,000.

If he has his wife purchase the insurance policy, then the policy would not be taxable in his estate. However, he would probably have to draw an increased salary from the corporation in order to meet the cost of the premiums. In this case, he would be paying a substantial income tax on his increased salary.

Contrast these disadvantages with the advantages of a policy purchased by the corporation to fund a plan using Section 303. The corporation buys the policy. The policy is a corporate asset. Premiums are paid by the corporation as a legal expense. The cash value is an asset listed in surplus. The increase in cash value is tax free income. The premiums paid by the corporation are, in a sense, non-taxable income to the insured. In event of death, the proceeds are tax free income to the corporation.

Let's take one more close look at our hypothetical stockholder who

(Continued on page 52)

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This sales record builds more sales

When sped to the salesmen, this simple, low cost sales record serves two powerful purposes. It points the salesman to the customer who is ready to buy, and it helps the salesman convince the customer that he is.

Bell & Howell Co. (1957 sales \$52 million vs. \$45 million in 1956) scores bigger sales from dealers because of a simple sales analysis record.

One big advantage of the idea is that it costs next to nothing.

Each month, B&H compiles an up-to-the-minute sales history on each dealer, showing the dealer's order activity. The form is rushed to the B&H salesman who uses it in a number of ways. Among them:

- He uses the facts to plan his sales calls schedule—since the form tells when the customer is ready to buy.
- During the sales call, the salesman can use the record as convincing evidence that the dealer is not adequately stocked with Bell & Howell products.

A bonus value is that the reverse side of the form serves as the salesman's call report and order form for new promotional aids to be shipped to the dealer.

The dealer sales history form contains this data:

1. Total dollar volume of the dealer's orders for each of the four previous years.
2. A monthly breakdown of orders during the current year to date, by product and number of units ordered.

3. The dollar value of orders placed during the latest month.

4. A cumulative total for the current year to date, showing both number of units and dollar value of each product ordered.

The dealer sales histories are actually a by-product report. They are produced with the aid of IBM equipment by B&H's data processing department as a by-product of cost-of-sales summaries.

"Since the same keypunch cards

are used for both jobs," says Marketing Vice President Carl G. Schreyer, "the expense of getting the dealer reports is nominal."

Here is how Vice President Schreyer describes one of the major uses of the dealer sales histories:

"Often the dealer doesn't know exactly how much he has ordered from us until the salesman shows him the report. The reason is simple: many of the stores we deal with are relatively small. A nation-

Circle outlines simple but effective sales record in operation.



[illegible]

"Some salesmen kept their own records, but frequently were too busy selling to enter all the information. As a result a lot of us were continually calling on dealers who weren't in a position to buy, and failing to call on others who were ripe prospects. Use of the dealer sales histories, plus the monthly and quarterly sales summaries, has just about eliminated this problem." ■

[illegible]



How to tackle six common worker woes

Here is guidance for the two steps of complaint handling: finding the real cause of trouble, and taking the action that will really solve it.

You can't take gripes at mere face value. When an employee complains—particularly about his supervisor—his words may disguise what is really bothering him.

Two steps are necessary to correctly tackle an employee com-

plaint. The first is to pinpoint the real problem, instead of falling into the trap of accepting symptoms as causes. The second is to find and apply the specific action that will dissolve the problem.

This check list will help you with both steps. It gives six common

complaints, and some of the common causes of them. Keyed to each cause of trouble are specific problem-solving actions. The actions are given on the back of this page. The page is perforated so you can retain it as a permanent action guide for handling worker complaints.

COMPLAINT	COMMON CAUSES	ACTION
Poor supervision <i>"I can't work 'cause my supervisor is no good."</i>	1. Employee not able to adjust himself. 2. Inferior supervision. 3. Supervisor overworked.	<input type="checkbox"/> A, B, C <input type="checkbox"/> D <input type="checkbox"/> E, F, G
Poor working conditions <i>"How can I get things done in a place like this?"</i>	1. Employee disturbed over a minor item—using over-all working conditions as an excuse. 2. Poor working conditions.	<input type="checkbox"/> A, C, H <input type="checkbox"/> H
Poor utilization of ability <i>"I can't do this job; I'm trained for something better."</i>	1. Employee using this as an excuse to cover up faulty performance or his true reason for quitting. 2. Faulty production planning. 3. Improper selection and placement. 4. Changes in production situation not explained to employees.	<input type="checkbox"/> A, B, C <input type="checkbox"/> E, I <input type="checkbox"/> J <input type="checkbox"/> K
Unsatisfactory wages <i>"You're not paying me enough to get what you expect of me."</i>	1. An excuse to cover another reason. 2. An imagined pay difference between the organization and a competitor. 3. A real pay difference between own organization and a competitor.	<input type="checkbox"/> A, B, C <input type="checkbox"/> A, L <input type="checkbox"/> L
Lack of job security <i>"Why knock myself out when I'll probably get the axe next!"</i>	1. Circulation of false rumors or misapprehensions. 2. Rapid organizational changes. 3. Peak-valley workloading. 4. An excuse to cover up another reason.	<input type="checkbox"/> A, K <input type="checkbox"/> K <input type="checkbox"/> M <input type="checkbox"/> A, B, C
Community dissatisfaction <i>"I don't feel I'm a part of the company or community."</i>	1. Inadequate housing, transportation, schools, shopping facilities, or social factors. 2. New job openings nearer to home.	<input type="checkbox"/> N <input type="checkbox"/> L

TAKE THESE ACTIONS TO SOLVE PROBLEMS ON PREVIOUS PAGE

- A. Try to get employee to give specific instances or examples.
- B. Check employee's previous record for job hopping. If possible, observe whether similar reasons were given for leaving other jobs.
- C. Check for evidences of adjustment problems while on the job.
- D. Compare supervisor with others on production rates, spoilage, backlogs, sick leave, grievance rates, requests for transfer, turnover, and accident rates. If negative implications are evident, discuss some of supervisor's employee problems with him. Is his attitude one of helpfulness towards his employees or merely a determination to win arguments or prove authority? Note how he reacts to suggestions and how he appraises employee performance. If findings are negative, suggest training aid for the supervisor in work planning, employee training and human relations.
- E. Note whether supervisor has more inexperienced employees to carry than usual.
- F. Does supervisor have any unusually difficult production problems?
- G. Note whether supervisor is under unreasonable restrictions or interference from higher authority.
- H. Compare physical working conditions with safety and engineering standards and with those offered by competitors. Ask the safety or production engineer to check the possibility of inducing variety and lessening fatigue on monotonous or unpopular jobs. Explain to the employee that these steps have been taken or are being taken.
- I. Note whether any units are overstaffed against contingencies. Are employees being hired too far ahead of production needs? Does supervisor show alertness in re-arranging work force to suit abilities of individual workers? Does growth of abilities in workforce go unnoticed?
- J. Inquire whether the required education or training level is unnecessarily high for the job in question. Are the duties and work conditions of a job being fully explained to prospective employees? Are interviewers mentally trying to connect the temperament, psychology and ability of the prospective employee to the job in question?
- K. Note whether supervisor keeps his employees well informed and interested in the situation of the company and the unit. Does he instill in them the feeling of belonging or being part of the team?
- L. Note whether competitor is offering high wages to offset poor working conditions, insecurity or seasonal employment. If so, call this to employee's attention. Are employees well informed as to pay, advancement possibilities, value of their work, recreational facilities and other fringe benefits offered by the organization? Can any aid be given to the employee to help him with the problem of budget planning?
- M. Investigate the possibility of acquiring improved equipment or systems to handle peak workloads so as to require a smaller but more stable workforce. Could company produce for stock during temporary slack periods? Would large backlogs during busy periods be more economical than a fluctuating workforce? Can workers be borrowed or rotated between units in order to meet peak loads? Is it possible for part-time workers to be utilized during peak periods?
- N. Check to determine whether adequate information is being given to job applicants concerning costs to be expected and local conditions to be encountered. Can work hours be staggered in order to relieve transportation crowding? Is the organization giving active support and aid to the establishment of car pools? If community attitude is one of indifference or hostility to outsiders, compile a list of local church, veteran, fraternal, and social clubs that would be interested in new members among the employees. Encourage employees to join some community club or activity. This gives them another connection to sever in order to leave.

Have you considered a company choir?

IT OFFERS THESE ADVANTAGES—



EMPLOYEE ENTHUSIASM



COMMUNITY GOODWILL



COMPANY PUBLICITY

Firms are finding that few employee programs can match the economy and the triple value offered by a well organized employee singing group.



Music—more specifically, singing—is being put to productive use by some business firms.

Companies report literally startling results from the simple step of forming a company chorus.

Experience shows that it can do three jobs at the same time:

- A company chorus can serve as an appealing employee relations program, often attracting more interest than company sponsored sports programs, for example. It can promote company spirit and working harmony throughout the organization.

- A company chorus can serve as a powerful builder of good community relations. Every time the chorus

performs, it draws favorable attention to your company.

- A company chorus can indirectly sell a company's products or services. It can create the kind of press notices that actually can be measured in dollar and cents.

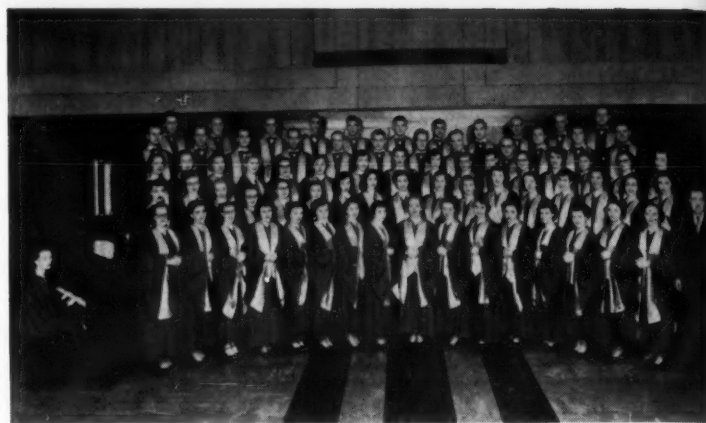
And, a company chorus can do these jobs at relatively insignificant cost, compared to the cost of other employee, community and public relations methods that produce smaller results. Here's a case in point:

A small company in the Midwest manufactures tractor and towing machinery. It started a choral group seven years ago. The choir has since become a community tradition.

The firm, with between 750 and



“ . . . rewarding for employees, their families and the community.”



ELI LILLY & CO., INDIANAPOLIS

1,000 employees, draws its chorus members from both men and women on the manufacturing and office staffs, and welcomes members of their immediate families into the group. According to a company spokesman, all that was needed to launch the chorus was a notice on the bulletin board. From the 900 employees then on the staff, and their families, a group of 35 voices was formed.

Here's a breakdown of the cost of initiating the choral group and operating it the first year:

Professional director	\$400
Music	\$ 23
Accompanist for rehearsals and public appearances . . .	\$200
Choral gowns (non-recurring)	\$434
Transportation to Chicago (one trip in chartered bus) . .	\$ 60
Dinners, paid for when chorus filled outside engagements	\$ 50
Piano, for in-plant appearances	\$ 30

The costs, therefore, for its first year of operation came to a total of \$1,197. Since then, even with a larger group of 55, the costs have averaged about \$1,250. a year, and that includes an off-the-premises rehearsal hall in the local high school, additional trips out of town and a larger figure for dinners because more outside engagements have been added each year.

Since its formation, the company chorus has appeared at the Veterans Administration hospital on an average of twice a year, has performed regularly at the city home for the aged, before the local Par-

ent-Teachers Association and has contributed its services at charitable fund raising drives. It has been on a number of television programs and has made many radio appearances—all in addition to starring at company functions such as Christmas party for employees' children and Easter celebrations in the plant cafeteria. The chorus also spearheaded and organized a spring concert in its city, with proceeds going to charity.

According to a company spokesman, "This has been one of our most rewarding recreational programs, for employees and their families—and for the community."

According to one estimate,* all of the costs involved in launching a company chorus can be held to a total of well under \$1,000. This can include the cost of choral robes or other costumes. Of course, depending on the size of the group and other considerations, a larger investment may seem advisable. Nonetheless, with good planning, it is possible to hold costs to a bare minimum and still obtain full value from the program. Furthermore, in many if not most cases, the choristers themselves cover at least part of the costs.

Once started, the chorus usually finds itself presented with a wide variety of opportunities to represent the company publicly. When the community learns that the chorus is available for outside performances,

worthwhile invitations are not long in coming.

Commonly, company choruses perform in school and church programs, municipal events, charity and community fund-raising drives, fairs, and seasonal programs such as those at Christmas. Some company choruses put on their own concerts, often in conjunction with choruses from other business firms. It's not unusual for a company to use its singing employees to entertain at stockholder meetings, as well as for employee meetings and programs.

The primary attraction of a company chorus, from the employee point of view, is the simple fact that in almost every company, a sizable proportion of the personnel likes to sing, especially when they can sing together. When a company organizes the program thoughtfully, and gives its people the right kind of encouragement in the beginning, employee interest usually emerges of its own accord, often from the least likely individuals. Once the chorus is organized, employee enthusiasm tends to sustain it, eliminating the

*This estimate comes from officials of the E. R. Moore Co., suppliers of choral robes. The company offers a free booklet titled, "Working Harmony—How to Organize a Company Chorus." Address the company at 932 Dakin St., Chicago 13.





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THE PEOPLES GAS, LIGHT & COKE CO., CHICAGO

need for a great deal of management attention.

Here are some tips on how to get a company chorus started:

How to recruit members. It's because every organization has its quota of bathroom baritones and shower sopranos that the recruiting job is made easy. Generally, all that is required to get a chorus started is an open invitation extended to everyone who wants to raise his voice in song.

At the start, emphasize the fact that no formal training or special talent is necessary. Don't hold auditions; that process tends to frighten away the timid. Take the point of view that the more voices in the chorus, the better—since the stronger voices will eventually encourage the weaker ones to sing out.

At the preliminary meeting of the employees who have expressed interest in a chorus, it's best to present at least a firm framework of a

plan, rather than expecting the individuals to build the program from scratch themselves. Explain the aims of the choral group, offer an organizational set-up, and specifically detail the responsibilities and costs that will be assumed by the company, and those that the choristers themselves must assume.

It is advisable to hold the first formal meeting of the group soon after the introductory meeting, in order to prevent interest from sagging before the program gets into motion. At the first meeting, it is advisable for a steering committee to be elected or appointed.

How to organize a chorus. To be most effective, the choral group should have its own officers and committees to handle various organizational details. The first body of officers can be selected from the initial steering committee. Thereafter, the group can hold its own elections to allow the broadest possible par-

ticipation among members. These are the committees that are most commonly formed by a company choral group: social, program, music, library, new membership, robes, and finance.

Membership qualifications. Keep membership qualifications as broad as possible. There is no age limit for singing. Men and women should both be eligible even if you do not expect to have a mixed choir. Some companies have separate men's and women's groups which perform together only on special occasions.

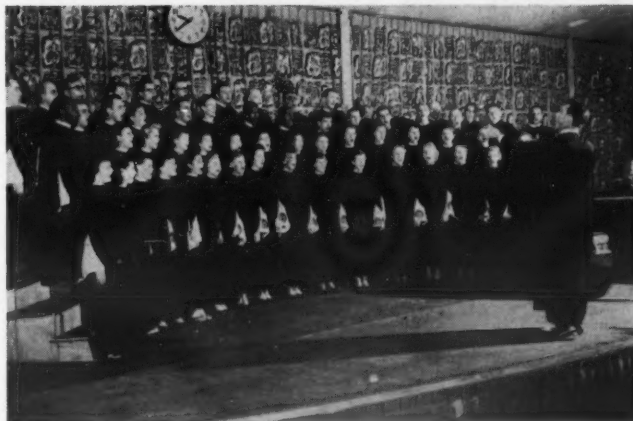
The best industrial relations benefits come from a company chorus when it is composed of people from different backgrounds and work classifications. One objective of the program should be to stimulate friendly contact between widely separated members of your organization.

Rehearsals. Most companies find that a weekly rehearsal session di-

NORTHROP AIRCRAFT, INC., HAWTHORNE, CALIF.



THOMPSON PRODUCTS, INC., CLEVELAND



TIPS FOR MANAGEMENT



by
Lou Purdey

How to cut costs if you ship overseas

Rate differentials in certain areas of the U. S. can save you real money. For example, from a large section of the U. S. you can enjoy lower inland rates from and to Newport News, Virginia, than to other North Atlantic Ports. Many alert companies have located plants and warehouses here for just this reason.

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If you've been looking for a way to cut your distribution costs, write me confidentially and personally for details:

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Louis C. Purdey

Peninsula Industrial Committee
237 - 28th Street, Newport News, Va.

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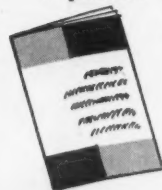
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HOW COMPANIES USE THEIR CHOIRS



Your company need not be a big one to benefit from a company chorus, but some of the best known choral groups are those from major companies.

Probably the best known of employee singing groups is the **Rockefeller Center** choristers who sing in New York's Rockefeller Plaza each Christmas and Easter. The group's outdoor programs have become a major attraction not only for New Yorkers, but for thousands of tourists as well.

In Chicago, the **Burlington Zephyr** choir shares with choruses from the **Milwaukee Railroad** and the **Pennsylvania Railroad** in presenting Christmas programs at Union Station. The Burlington choral group was formed in 1943, now consists of 40 men and women from nearly every company department. The group presents musical programs for churches, schools, fraternal organizations, women's clubs and civic groups in Chicago and surrounding towns. It has made a number of radio and television appearances.

In Midland, Mich., the **Dow Chemical** choir has become recognized as a favorite form of entertainment. The group appears before more than 20,000 persons a year and has to turn away crowds for its concerts held at local high school auditoriums.

Syracuse, N. Y. holds an annual festival in which the choral groups of four companies participate. The **Smith-Corona**, **Crouse-Hinds**, **New Process Gear** and **Onondaga Pottery** choirs join together to provide a climax to individual company choral programs which take some of the groups as far as 90 miles from the city for scheduled appearances.

Employees of **Metropolitan Life Insurance Co.** and the **Equitable Life Assurance Society** each give concerts at large public auditoriums. These programs are now so well attended that invitations must be limited to employees and their friends.

Thompson Products, Inc. of Cleveland organized a choral group in 1953 with 15 employees. Today there are 65 men and women in the chorus. The group has appeared at community fund rallies, at veterans hospitals, in the Cleveland public square at Christmas, and at Cleveland Stadium to sing between double-header ball games, in addition to frequent appearances before the company's own employees. This chorus averages one outside engagement a month year 'round.

The choral group of **Eli Lilly and Co.** has presented programs at orphanages, at homes for the aged, at Masonic Temples, Lions Clubs and other fraternal and civic organizations. Last year the Lilly chorus joined with choruses from the **Indianapolis Power & Light Co.** and the **Allison Division of General Motors** to offer a musical festival. The program was held in a high school auditorium where the groups sang to a capacity audience of employees and their families. Because of the enthusiastic response to the program, the three company choruses plan to make their program an annual event, with additional performances to accommodate the demand.

rectly after working hours is the best arrangement.

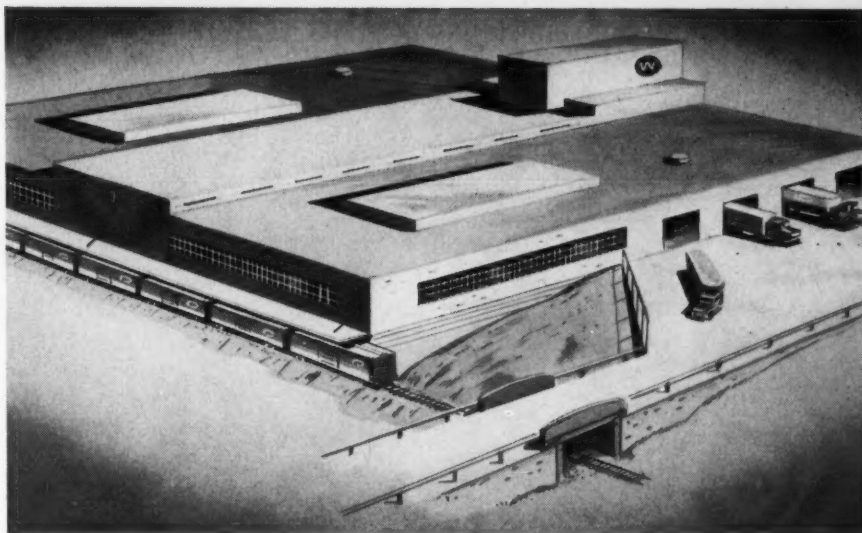
The group should have available a fixed place for its scheduled rehearsals. A rehearsal room should be at least reasonably private so that the chorus can work without the distraction or embarrassment of interruptions. The room should be equipped, of course, with a piano, enough chairs for all, a small podium and music stand or lecturn. In addition, facilities should be available for storing music, robes, and accessories.

Professional director. The factor that will probably have the strongest bearing on the success of your company chorus is the music director. There seems to be little doubt that a leader of professional standing is required. It takes a trained musician to create the proper balance of voices and tone, to recognize the strengths and weaknesses of the group, and to counsel on the selection of music that will be within the scope of the chorus.

Get in touch with your local schools or music associations for guidance concerning selection, duties and fees of a director. In making your selection, be certain that the music director thoroughly understands and sympathizes with the amateur and recreational nature of the activity. Stay clear of the perfectionist who will take the fun out of singing by setting impossibly hard professional standards.

Concerning costs. There are almost as many ways to cover the cost of maintaining a choral group as there are choral groups. Apparently the most common approach is to have joint contributions made by the company and by the employee participants. In one case, for example, the company contributes \$4 to the chorus budget to match each \$2 membership fee that is paid. In addition, this company covers the cost of transportation when the chorus is filling outside engagements—an average of 12 or 15 times a year at nearby hospitals, homes for the aged and orphanages.

The key point to remember, however, is that a company chorus represents an extremely low cost method of obtaining unusually high employee enthusiasm, community good will and company publicity. ■



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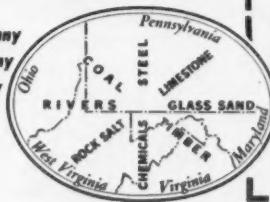
Money has been set aside by communities in West Penn Electric's service area to help forward-looking industries build new plants—or adapt existing plants to their specific needs. This money is available at low cost as (1) most of the community industrial organizations are non-profit and (2) value of the plant payroll to the community is taken into consideration.

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PAPERS

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Thought starters

IDENTIFICATION

AEC uses color photographs to speed worker recognition

Some 2,000 Atomic Energy Commission headquarter employees now have new identification badges containing their photographs in color.

Prime reason for the change from black-and-white pictures, an AEC spokesman said, is that natural color photography allows quicker, more positive identification of workers.

Other organizations that rely on photographic passes for identification purposes are also reported switching to the more natural looking color pictures, Eastman-Kodak states.

FORMS

Grids save time in report making

Ruled masters for form duplication can now be easily made-to-order for any application. The simple technique, designed by Diebold, Inc., utilizes any superimposed combination of vertically ruled and horizontally ruled grids. There is practically no limit to the form variations made possible with these ruled grids.

They minimize the need for stocking an endless number of special reports, analyses and other worksheets.

Any translucent sheet with horizontal grid is positioned as desired over any translucent vertical grid. If the resulting form is to be used more than once, headings and other fixed information are then inserted.

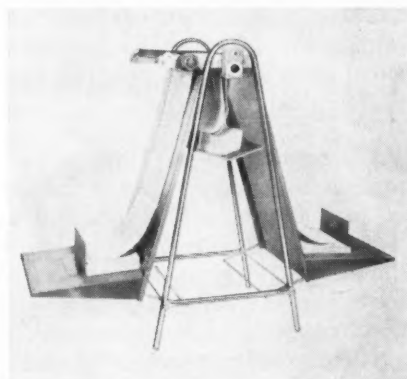
The two grid sheets are then processed together through any white-print duplicator, such as Bruning or Ozalid, to produce the custom-made master.

For more details on these inexpensive grids, circle 253 on the Reader Service Card.

NEW PRODUCTS

Mechanical device speeds multi-forms separation

For speed and economy in separating multi-part forms, The Standard Register Co. has designed the Form Flow vertical separator. Motor



New vertical separator handles up to 350 feet of multi-forms per minute.

driven, the new unit operates independently of the forms writing machine.

It performs its job by guiding one part of a multi-part form down one side and the remainder of the set down the other. Carbon is disposed of by a "no latch-drop in" rewind spindle. Loading is accomplished in seconds, and the device accommodates a 12-inch high stack of forms. Guide chutes and refold trays ad-



H. J. Haughton, Vice President and Controller, Jones & Laughlin Steel Corp.

"Moore forms help us keep tab on costs"

AUTOMATED SYSTEM GIVES JONES & LAUGHLIN ACCURATE BUDGETING FOR RIGID COST CONTROL

A new costing system helps Jones & Laughlin Steel Corp. pinpoint costs with greater accuracy. This calls for fast action in collecting costs at their source. Punched cards record all elements of cost — yield, labor charges, maintenance and repairs, services, supplies, etc. An IBM 650 computes the actual cost of every product at each production stage.

This costing process is then repeated, but with budget data rather than actual. When both actual and budget costs are known, they are printed, together with the variances between the two, on a Commodity Cost Sheet, a Moore continuous form. This is J & L's control in print.

The mountains of production and cost data are handled at electronic speeds, giving all different levels of J & L's

management timely and easily understood reports. Planning is speeded, with time for correction if needed. Big decisions tend to be more correct; little ones are routine. Valuable yardsticks measure results in all theaters of costs.

The Moore man helped with the scientific design of the procedures and forms used in the Automated Data Processing (ADP) system. For other examples of system improvement, write on your letterhead to the nearest Moore office.

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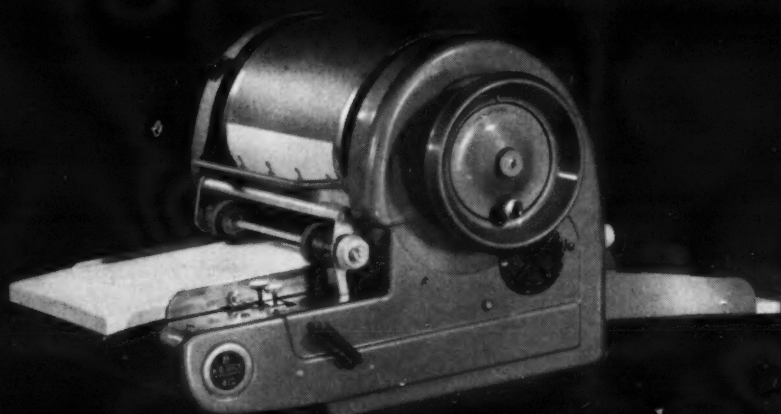
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(Circle number 152 for more information)

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What About Low Cost? Here's really big news! Model 412 is the lowest-priced, quality, all-electric mimeograph available anywhere.

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Call your A. B. Dick Company distributor right away. He's listed under Duplicating Machines in the classified section of your telephone directory. Or mail coupon below.



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P. S.: A. B. Dick mimeograph products are for use with all suitable makes of stencil duplicating products.

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just to various angles and will take any weights of paper and carbon. The separator handles any size form up to 17 inches long by 17²⁵/₃₂ inches wide, at speeds of up to 350 feet per minute.

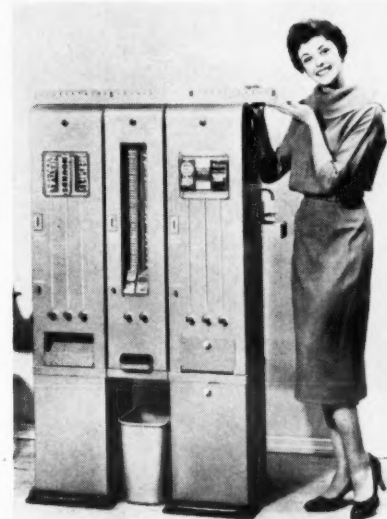
Sturdily constructed of grey finished chrome steel tubing and heavy gauge steel, the Form Flow separator stands 55 inches high, 30 inches wide and 59 inches long. It weighs about 100 pounds. The power head is equipped with a 110-volt AC-DC motor with variable speed control and an on-off rheostat.

For more details, circle number 247 on the Reader Service Card.

Snack center takes only three feet of wall space

A new Take-a-Break snack center is a three-in-one combination that vends a variety of candy, crackers and hot beverages.

Measuring just 36 inches wide by 14 deep and 57 high, the unit



Compact dispenser provides choice of five snacks and three hot beverages.

occupies little more space than a cigarette machine. It was designed by Lehigh, Inc. for use wherever appearance is important and space at a premium.

For more details on this snack vendor, circle number 255 on the Reader Service Card.

New two-unit system saves time in payroll audit

Payroll audit automation is provided by a new two-unit system developed by Cincinnati Time Recorder Co. A Paymaster time clock

punches daily "in" and "out" time-identification holes in each employee's time card. At the end of the



Time punched payroll cards are scanned by photoelectric cells in audit unit.

pay period a Paymaster "Auditor" automatically audits the cards and prints the full pay tally on each.

The system can be adjusted to any type pay period. It can be integrated with EDP systems or used with conventional office equipment. Auditing speed is 1,800 time cards per hour, Cincinnati states.

The new Paymaster punch time recorder costs \$450. Price of the companion Auditor is \$850.

For more details, circle number 249 on the Reader Service Card.

OFFICE DESIGN

Complete "packaged" offices available under new plan

Now you can order offices complete from walls to furniture in one coordinated package. This new co-operative plan is introduced by Remington Rand and E. F. Hauserman Co.

Offered in the packaged deal are Remington's Aristocrat modular furniture line and movable steel and glass divider wall systems by Hauserman.

Almost unlimited combinations of office layout and design are possible since both furniture and wall components are built to the same module. All equipment is available in a wide selection of mated or compatible colors.

For further details on these packaged offices, circle number 252 on the Reader Service Card.

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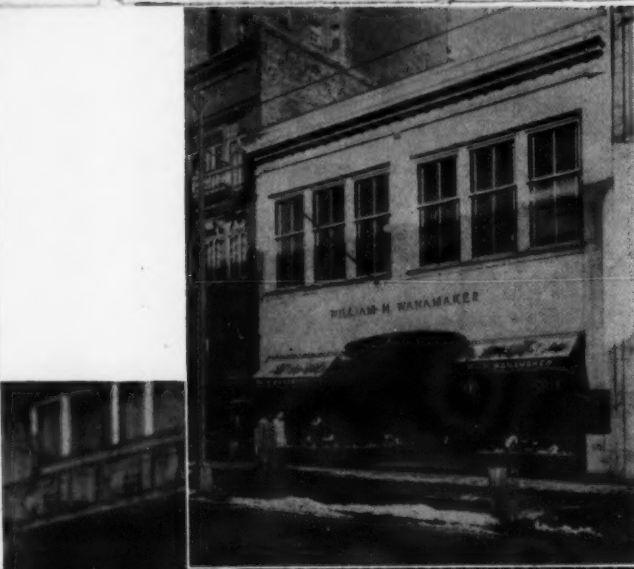
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(Circle number 150 for more information)

BEST BALANCED BUY IN FLUID DUPLICATORS

How to facelift



Outmoded front dated back to 1911. Dull bronze letters on weathered stucco unassumingly announced William H. Wanamaker building. Structure now presents novel, modish front to Chestnut Street passers-by. Original walls and windows remain unchanged but hidden. Gleaming black aluminum script is sharply outlined in copper-gold neon.



You don't need a big budget to update an outmoded building front. It just takes a little imagination. Here's one example of how an ingenious new look was achieved at an installed cost of \$5 per square foot.

Closeup of aluminum cylinders shows how air and light filter through facade. Grill casts interesting light patterns inside, but eliminates glare of direct rays.

a facade without surgery

Original front of the William H. Wanamaker building in Philadelphia was almost 50 years old and looked its age. A new facade was needed to update the drab building—without the high cost of reconstruction. And the design had to satisfy the city's Art Commission which reviews proposed facade changes.

The problem of rejuvenation without major surgery was turned over to Philadelphia architects Thalheimer & Weitz by the new owners, Broadstreet's Inc., when they acquired the old structure this year. This architectural firm came up with a high style, low cost solution. They fashioned an easily hung grillwork. It was fabricated from 3,600 open-ended aluminum cylinders, each four inches deep by six inches in diameter. Bolted together, the modern looking grill was simply superimposed over the existing front. Thus the old store front was given a completely new look without touching the original walls, windows or ornamentation. Use of lightweight aluminum grill also obviated the need and cost of structural reinforcement.

Added economy note—the open grillwork reduces the air conditioning load. Although old large windows remain, the grill shuts out the direct sun.

The entire facade was erected in a few days without major scaffolding and without disrupting the course of normal business. Sections of the new grill can be easily removed to comply with fire entrance law. The 47-year old Wanamaker building now has a brand new look—achieved at a budget price. ■



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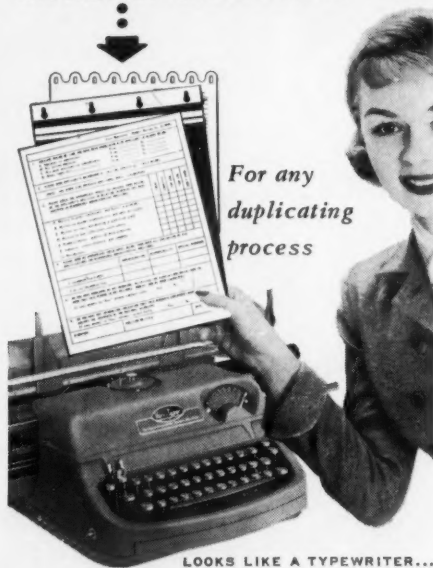


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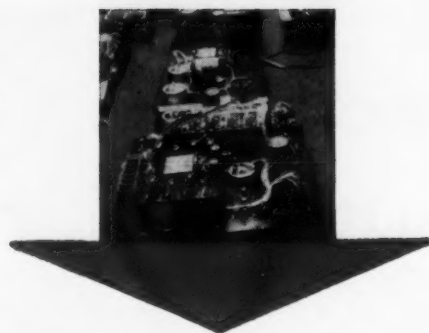
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50



Business electronics



British analog computer small in size and price

"Minispace" is the name of a new analog computer developed in Britain by Solartron Electronic Group, Ltd. About the size of a console radio-phonograph, it is priced at \$4,200 in England. Because of its compactness, it can be conveniently used at the side of a desk or laboratory bench.

With this new computer, the maker states, actual system performances can be set up and proved electronically in a few



Unit simulates system performance and gives rapid equation solutions.

hours, eliminating months of work and the added expense of setting up pilot plants or prototypes.

The unit is completely self-contained. It comprises 10 drift-corrected DC amplifiers, with all input and feedback components, potentiometers, control panel, patching panel and power supplies. Non-linear elements are in-

corporated and expansion facilities are provided.

Each amplifier can be used for summing, sign reversing, integration or simulation of a transfer function over a wide range. Any problem requiring up to 10 such operations can be solved or simulated on the computer.

Used in conjunction with the Solartron Servo Multiplier TJ 725 which can be used as a multiplier, resolver or non-linear function generator, many more complex problems can be tackled.

For further details on this analog computer, circle number 292 on the Reader Service Card.



New service converts computer data into graphs

Executives can now have the mass of digital computer data—production fluctuations, sales totals, inventory levels, etc.—converted electronically into the more meaningful format of graphs, curves or line drawings. The new time-saving service is available through the 80 local branches of The Service Bureau Corp., subsidiary of IBM.

The new method of presenting computer findings in charted form is made possible by the Dataplotter. This electronic machine digests data from punched card and tape control systems, and plots it automatically in easily interpreted graphs.

As one example of the Dataplotter's speed and versatility, it converted computer data on proposed cut and fill operations for a mile of new highway into cross

MANAGEMENT METHODS

sectional drawings in just 20 minutes.

For more data on this computer data plotting service, circle number 293 on the Reader Service Card.

Computer obsolescence not likely in next decade

According to Burroughs Corp. Vice President James R. Bradburn, there is little likelihood of present electronic data processing computers becoming obsolete in the next 10 years.

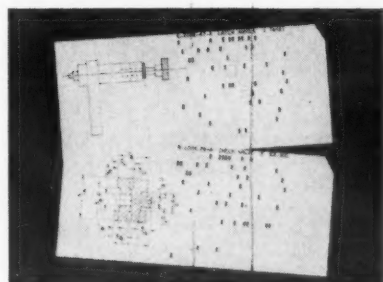
Yet, figures show, many prospective installations are deferred because of obsolescence worries. Mr. Bradburn points out that a computer is not really obsoleted until the new model's price can be fully absorbed in a reasonable time by savings realized over its predecessor.

Other prospective computer purchasers, fearing obsolescence, resort to the rental plan. These firms, Mr. Bradburn says, needlessly sacrifice the financial gain that outright purchase of a computer system offers.

Visual data can be added to sensitized tab cards

Sensitized tabulating cards for combining pictorial material with coded and punched data have been introduced by Ozalid Division, General Aniline & Film.

These diazo coated cards can be employed in production control systems, pictorial language presentations, inventory proce-



Pictorial material can be added to sensitized cards for tab work.

dures, personnel records or wherever visual items need to be used in a tabulating card system. The new cards are standard size, 3 3/4 by 7 1/2 inches.

For more data, circle number 245 on the Reader Service Card.

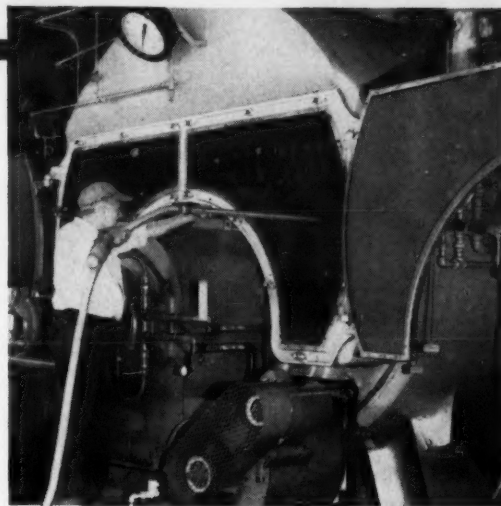
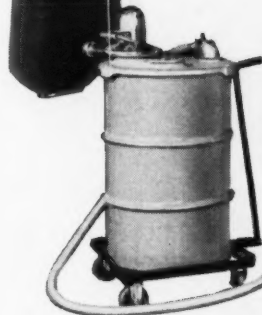
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(Circle number 129 for more information)

Estate planning

(Continued from page 34)

has an estate of \$500,000. Together with a wife, he leaves two sons whom he has groomed to take over control and management of the business he has built. He has a substantial stock interest in his closed corporation, but not much cash. His estate breaks down like this:

Home	\$ 60,000
Home furnishings	30,000
Stocks and bonds	60,000
Life insurance (payable to wife in income)	100,000
Stock in corporation	245,000
Cash	5,000

GROSS ESTATE \$500,000

As previously indicated, this estate is subject to an estimated deduction of \$50,000 for debts and final expenses, and, after a full marital deduction, an estate tax of \$40,200—making a total of \$90,200.

The wife receives the home, the income from the insurance, and her husband's stocks and bonds. The sons inherit the business. But where does the \$90,200 come from to cover taxes and expenses?

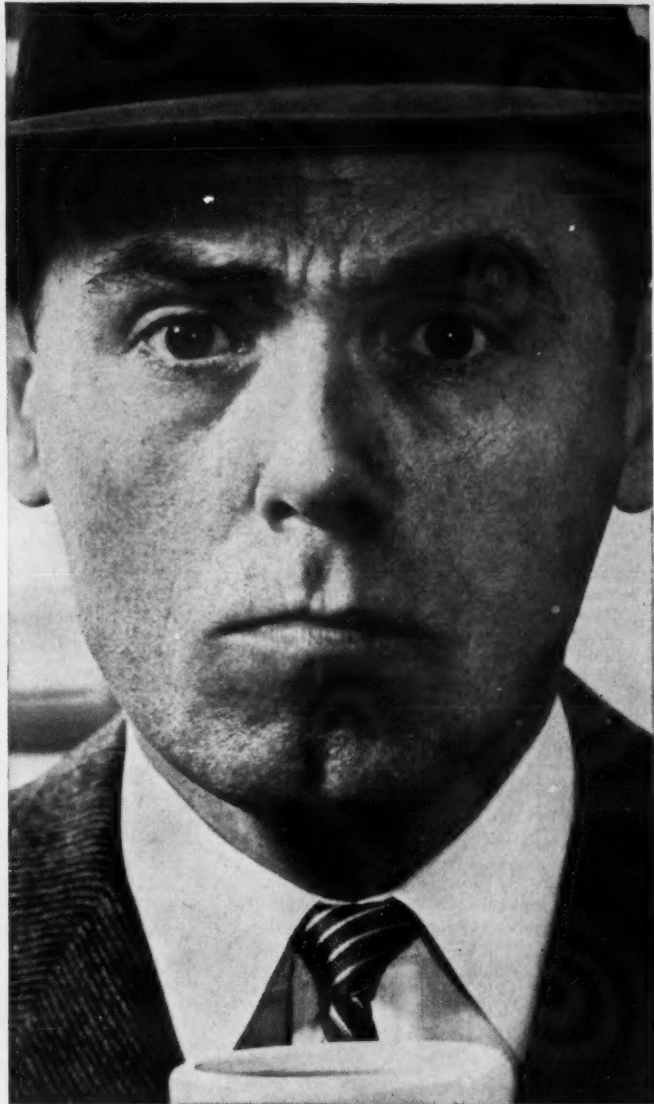
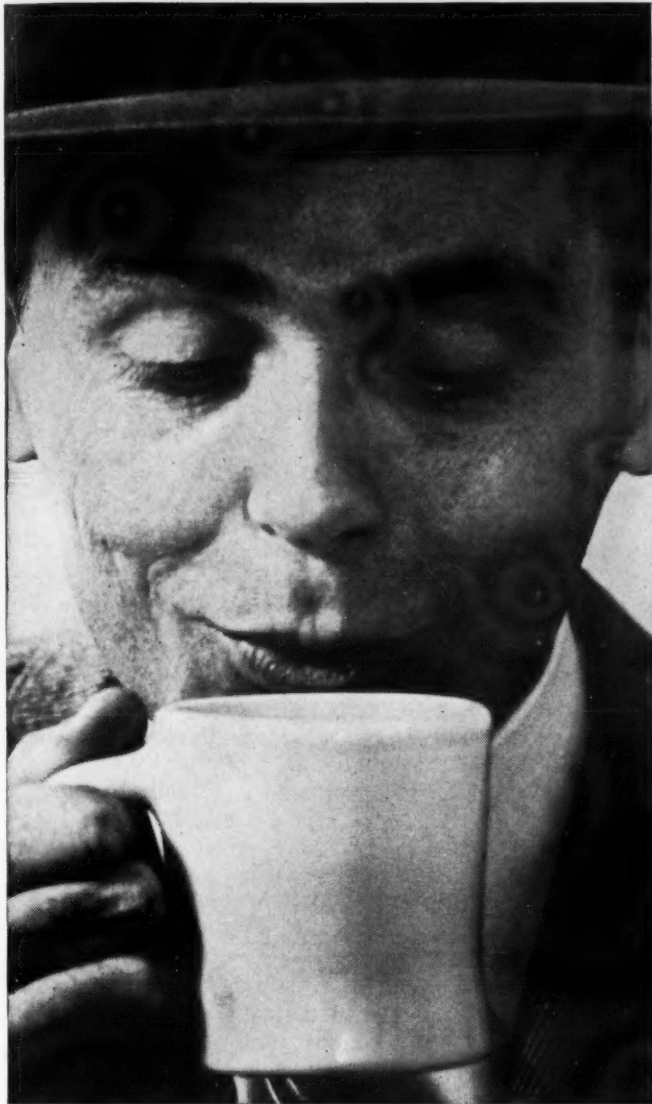
The answer is that the corporation purchases \$100,000 life insurance and enters into contract with the majority stockholder to use the insurance to purchase stock from his estate in the event of his death.

Thus, the stockholder has achieved his objective without use of personal funds. The government, through Section 303, has permitted him to use his corporation to finance his tax burden with the help of insurance. There is no necessity of forced liquidation with its attendant losses. ■



ABOUT THE AUTHOR

Attorney Samuel M. Lipp is an insurance consultant with the Metropolitan Life Insurance Co. He specializes in problems of tax and business insurance in the field of estate planning. He has been with Metropolitan since 1937, and holds the degree of Chartered Life Underwriter.



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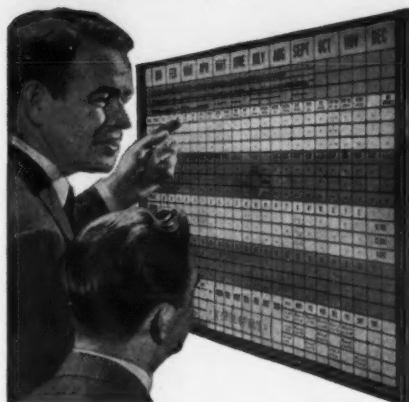


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How to build a business (Continued from page 32)



Formsprag's top management: (l to r) Roger L. Daniels, chief engineer; Leo B. Zarembo, production manager; Charles F. Trapp, Jr., vice president; J. Lawrence Buell, Jr., president; and E. Reginald Davies, treasurer.

nimity of purpose, and an understanding of what each man must do for the company to reach its goals. No company, large or small, can operate smoothly without this underlying understanding."

Maximum delegation. Together with separating responsibilities and coordinating actions of his managers, Buell delegated maximum authority to them, leaving it up to them to run their own departments in the ways they considered best. Except in matters of policy, he avoided giving direct orders—instead offered only advice and suggestions. Moreover he encouraged each of the managers to practice the same kind of delegation.

Says Buell, "I've seen too many small companies suffer because the top man felt that management principles didn't apply to a company of his size—things like formal organization and delegation of authority. I've seen presidents order a maintenance worker around or telephone a salesman and direct him to call on a certain customer. A top executive who operates over the heads of his organization not only undermines the organization; he also makes his own job tougher because people soon expect him to

run the whole show single-handed."

From the beginning, Buell made it clear that he was not going to run the show single-handed. He demonstrated that his job was going to be one of policy-making, coordination and control.

Realistic planning. To implement these responsibilities, Buell set to work developing the foundation for a long range planning program. First step was a formalized one-year budget (and later a standard cost system that immediately flags cost variances).

"We are trying to chart our course as carefully as the largest corporations chart theirs," says Buell. At present we are able to plan realistically two years ahead. We'd like to plan further but to do so intelligently we'll have to wait until we have a longer background of corporate experience."

Buell's planning and budgeting practices are based on a proportion concept. He acquired the concept from a successful industrialist who impressed him with the idea that all business is primarily a matter of proportion—applying resources in different relative amounts to different aspects of the business. Although Buell does not cling to a

rigid proportional formula for Formsprag, he feels that the concept is a valuable guide in planning.

Management's replacements. Buell's job of tightening up the management of his small company was complicated by the need to make some management replacements. For example, in 1954, the company suffered the untimely death of its production manager. Buell filled this post by upgrading the assistant production manager. Later, however, there came the need to recruit a sales manager, Buell realized that Formsprag's future growth was largely dependent on getting the right man for this key job. The selection was made even more important by the fact that Buell wanted the man who would fill this job to serve as the company's second-in-command.

Heading Buell's list of possible candidates was a young man named Charles F. Trapp, Jr., area sales manager in Detroit of the Industrial Apparatus Division of Westinghouse Electric Corp. Buell had previously known Trapp as a competitor. Based on conversations the two men had had together, Buell had a strong hunch that Trapp would be interested in swapping his big company sales job for the opportunity to become the sales manager and second-in-command of a small company with good potential.

Buell invited Trapp to lunch, set the proposition before him and

discovered that his hunch was right. Trapp was attracted by the immediate chance to try out his own sales and management ideas, instead of waiting the many years it would take for him to reach the top sales level at Westinghouse. Further, as number two man at Formsprag, Trapp knew he could create his own rewards and future security by making a major contribution to company growth.

Trapp lost little time in accepting Buell's invitation even though it meant no immediate salary advantage to him. He joined Formsprag as sales manager in August 1955, was named vice president the next year.

Management training. Buell didn't stop at building a top staff of skilled executives. He undertook a program to help them sharpen their skills. He did it by devoting special attention to management training.

Says Buell: "I definitely feel that it requires a higher degree of skill to handle a top job in a dynamic small company than in the average larger corporation. You have to be able to do more things well. That's why we place special emphasis on management training."

At Formsprag, management training is applied on a formal basis at all levels, from the top to the first-rung foremen.

At the top, for example, Buell himself is an active participant in the American Management Association. Vice President Trapp last



"It takes a small, specialized firm to successfully market the kind of product that we have."

TRAPP



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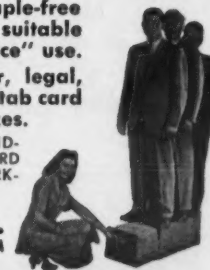
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year attended the 13-week advanced management course at Harvard Business School. Treasurer E. Reginald Davies maintains a continuing active interest in the Tax Institute; other executives attend university extension courses in Detroit.

"In a big company," says Buell, "there is a process of shoulder rubbing that goes on among the various executives. In a small company, there aren't that many people to rub shoulders with. Outside training programs fill that need."

Formsprag has used management training for foremen as the keystone of a drive to strengthen quality performance in the plant. When a number of machine operators were upgraded to newly created foremanship posts, these men were literally sent to college. They were sent to a foreman training program at Wittenberg College in Springfield, Ohio.

"They came back," says Buell, "with a good deal of enthusiasm—and a basic understanding of what management is all about. Our investment in educating these men in management has proved definitely worthwhile."

Employee partnership. Foreman training has also been part of Buell's effort to build what he calls "partnership with employees."

He feels that a major competitive advantage small firms have over big ones is a better chance to build a feeling of unity among managers and employees. "This creates more efficiency and, in turn, lower labor costs," says Buell.

To maintain a framework for this kind of relationship, Formsprag management tries to extend itself for employees. The plant is air conditioned, for example, and Buell has established an impressive array of fringe benefits, with profit sharing now under serious consideration for the future. The company is not organized but pays rates higher than union scales.

"We hope our people will continue to feel that they don't need a union to protect them from us," says Buell, "not because we want to avoid giving employees their share of the company's rewards, but because we want to avoid the costs of unionization itself. We'd rather invest the money in wage rates and employee benefits than in the costs

and wasted time of haggling over petty details."

Formsprag's management endeavors to communicate its philosophy to its employees but Buell has firmly rejected the idea of regular written communication such as an employee newspaper or newsletter.

"We don't want to preach to our people," says Buell. "An employee paper for a small firm is fine for the first few issues, but then about the 12th issue you begin to run out of ideas and start preaching. We don't want to do that."

Buell prefers to rely on oral communication through foremen, and top management's own contact with employees.

"As far as I personally am concerned," says he, "part of the pleasure of running a small company is that the job permits you to walk through the plant and know everybody by name, know what each man is doing, and know that, because of your close contact with them, these people really do hold a feeling of partnership with you and the company."

Results. The actions and management concepts that President Buell has applied to his small company have netted positive results. As the management grip tightened a new spirit emerged. As the management pulled together and as workable practices and procedures replaced emergencies and turmoil, the profit picture brightened. President Buell began to reap the personal job satisfaction he had sought in his shift to a small company.

During Buell's first three months on the job, Formsprag Co. lost money. But after that, the operation moved into the black and Buell was able to report a worthwhile net profit at the end of his first fiscal year. The next year, sales of slightly over \$1 million produced after-tax earnings of \$72,000. By last year, sales had tripled to over \$3 million and net profits were up to \$252,000 or 8.4% of sales. The payroll increased from 60 employees to approximately 175. The company's net worth nearly doubled from \$595,000 in 1954 to over \$1 million in 1957. Formsprag stock, sold over the counter, increased in value accordingly.

Significantly, during recessionary 1958, Formsprag's sales and earnings have been up slightly, rather

than down, despite the fact that the company counts among its customers the auto and other industries hard hit by the recession.

Part of Formsprag's basic strength is in its product specialization and market diversification (now expanded to include world markets through a sales and licensing agreement with a British firm).

The kind of sales programs that have kept this company on solid footing even in a year of economic troubles are detailed in the following section.

PROBLEM NUMBER 3:

How to sell a "hard sell" product

The small firm builds its strength by diversifying its markets instead of products.

■ At Formsprag Co., sales disadvantages seemed at face value to outnumber and overshadow sales advantages.

Formsprag had only one basic product, an overrunning sprag clutch developed during the war. It had been adapted for various machine and equipment uses but because it was new and obscure, tough pioneer effort was required to sell it. And the product had strict limitations.

Formsprag had only the nucleus of a sales organization. Shortly before President Buell joined the company late in 1953, the decision had been reached to discontinue use of another firm as sales agent and to create Formsprag's own sales force. At Buell's arrival, only a handful of salesmen were in the field. Further, many distributors who had agreed to carry Formsprag clutches were not able to sell the product properly, since they understood it little, if at all.

Formsprag had no real sales organization or program at headquarters. Sales records and promotion materials were lacking; the mailing list and catalog were unusable. No organized system existed for handling inquiries or sales leads.

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The second set was sent as a unit to the plant to supply production information. Quantity shipped, and other

shipping data was inserted by pencil or typewriter. The set was separated, supplying packing slip, shipping label, factory record copy, and district office notification of shipment copy. Factory record copy was then forwarded to billing for completion of invoice.

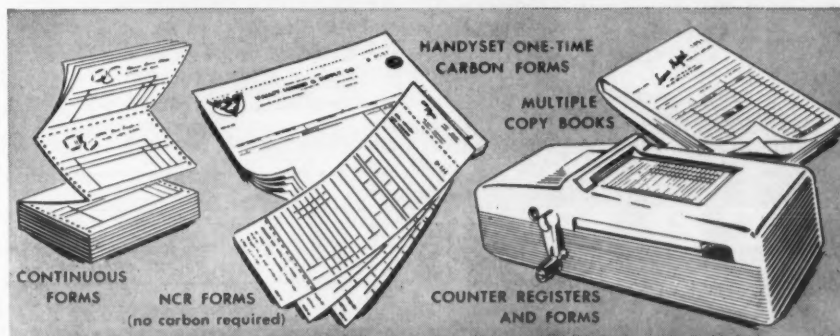
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Sales ideas were being created, but not carried out.

Balanced against these heavy disadvantages, however, was a key advantage: the perfectability, adaptability and almost limitless market potential of Formsprag overrunning clutches. Properly adapted in size and design, the product could be used in practically any major type of machinery or equipment where a turning part is backstopped, overrun or indexed.

It was this kind of potential that attracted President Buell and later Sales Manager Trapp to Formsprag. They perceived that what the business lacked in product diversification could be more than made up through market diversification.

The problem was to make this key sales advantage offset the many sales disadvantages.

THE ANSWER

As soon as he moved into Formsprag, President Buell called for a new, stronger sales program, based on ideas from his own sales management experience.

The real shaping of the new sales effort, however, occurred after Sales Manager Charles Trapp joined the company. While Buell concentrated on the other company problems, Trapp set out to build a more complete marketing organization, establish stronger sales policies, train salesmen, weed out poor distributors and add stronger distributor outlets.

For the first six months, Trapp threw himself into his job on a six-and seven-day week basis, straightening out snarls and handling details that had been neglected. To replace the old, error-filled catalog, he whipped together a small, abbreviated catalog designed to serve as a stop-gap while a complete new edition was being prepared. He undertook an advertising campaign in trade magazines aimed at attracting better distributors.

Sales records. Trapp attacked the problem of sales records by establishing a record system to show what was sold, who sold it, who bought it and what it was used for.

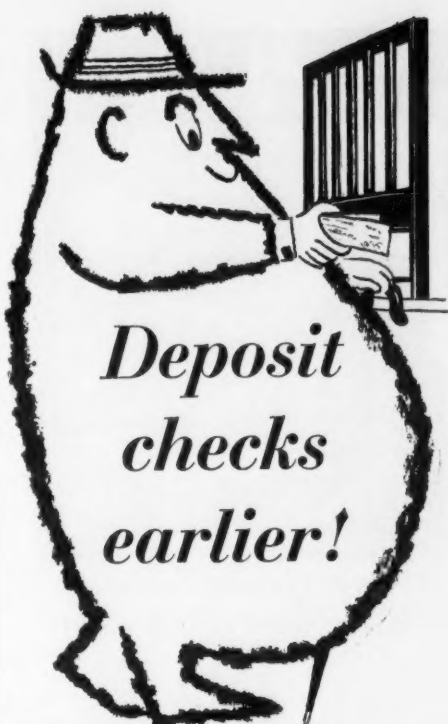
Says Trapp: "We devised a way to classify all our customers and prospects, and to maintain information about them on Keysort

punched cards. The cards are filed in three groups: inquiries, prototypes, customers. Every time we get an inquiry, for example, from a firm not already in the file, we make out an inquiry card, punched to tell us what stimulated the inquiry, the firm's type of business, and so on. This enables us to insure complete follow-through on all inquiries, and to evaluate the effectiveness of our various advertising and product publicity programs."

Sales Manager Trapp also filled Formsprag's service record vacuum. He instituted a system of monthly reports that pins down responsibility when a clutch fails and requires repair. If a salesman or sales engineer is at fault, the servicing costs are charged to the sales department; if the problem is due to faulty manufacturing, the service is charged there. But, if the fault should be found to lie with the engineering department, not only is the cost budgeted to engineering; work is undertaken by the engineers, working with the service people, to improve the design and eliminate the fault in future models.

Sales analysis: One of Trapp's other immediate steps was to undertake a market analysis for his product. He was inexperienced in this type of research activity, so he burrowed into all the books he could find on the subject. His market analysis was an unsophisticated one, but it pointed up the major industries and locations holding the strongest sales potential for Formsprag. He found, for example, that one of the best potential markets was in California, where the company had no distribution at all. As a result, a district office was quickly opened in Los Angeles, and distributors recruited along the coast.

Production perfection. One of Trapp's best assets as sales manager turned out to be his engineering degree from Carnegie Tech; it gave him the ability and status to work with company engineers on their own ground. By improving coordination between sales and engineering, Trapp was able to help motivate engineers to become more sales oriented. Information began to flow steadily back from salesmen and servicemen in the field to the drawing boards and the testing lab in the Formsprag plant. Under the direction of Chief Engineer Roger



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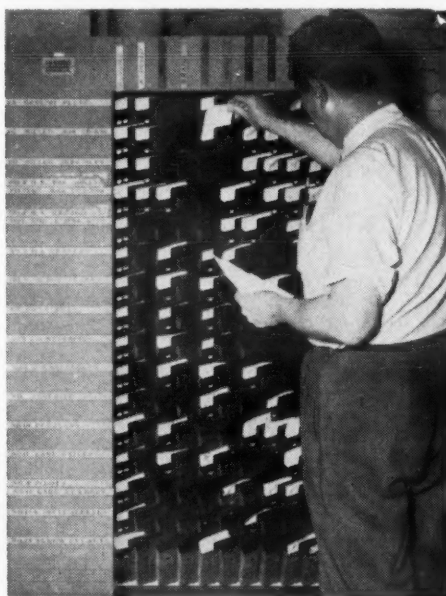
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L. Daniels, the product line began to expand, improved new designs were created, and the range of possible applications was greatly expanded. With a better, more adaptable product line to sell, Trapp stepped up Formsprag's advertising and began to draw inquiries from more and more different types of industry. Finally, the company was able to count 3,000 different users of Formsprag clutches—from small clutches in sewing machines with only a few inch-pounds of capacity, to huge clutches in heavy industrial machines with over two tons of capacity.

To handle this increasing volume of business, Trapp beefed up the sales department with new personnel, until the department now consists of nearly 30 people, both at headquarters and in the field, plus manufacturers' representatives in those markets too small to warrant a Formsprag district office.

Sales compensation: Even before Trapp joined Formsprag Co., President Buell had recognized the need to attract and hold top calibre salesmen in his small company. Buell's thinking was that if Formsprag were to achieve its full potential, it would need the same kind of district managers and sales engineers as those holding good sales positions in much larger industrial concerns. But how could small Formsprag compete for these men on a par with bigger, better known companies?

Buell decided that one answer was for Formsprag to have a sales compensation plan equal to the plans of the bigger firms. Consequently, he adapted for Formsprag's purposes the sales compensation plan that he himself had worked under at Reliance Electric and Engineering Co. The plan, as revised for Formsprag's purposes, works like this:

District managers and sales engineers are paid an ample, liveable base salary plus a commission. The company pays all expenses involved in the operation of each sales district, but uses these costs as a factor in determining commissions.

A district manager's commission is determined by adding his salary and the district expenses together, multiplying the sum by eight, and subtracting the resulting figure from

the dollar volume of shipments into the territory. The district manager's commission is 3% of the figure that results.

For sales engineers and trainees, the same basic formula is used, but it works this way: the man's own sales expenses are added to his salary, multiplied by eight and subtracted from the dollar volume of orders shipped to his customers. He gets a 2% commission on the resulting figure, and his district manager gets an additional 1% commission on this amount.

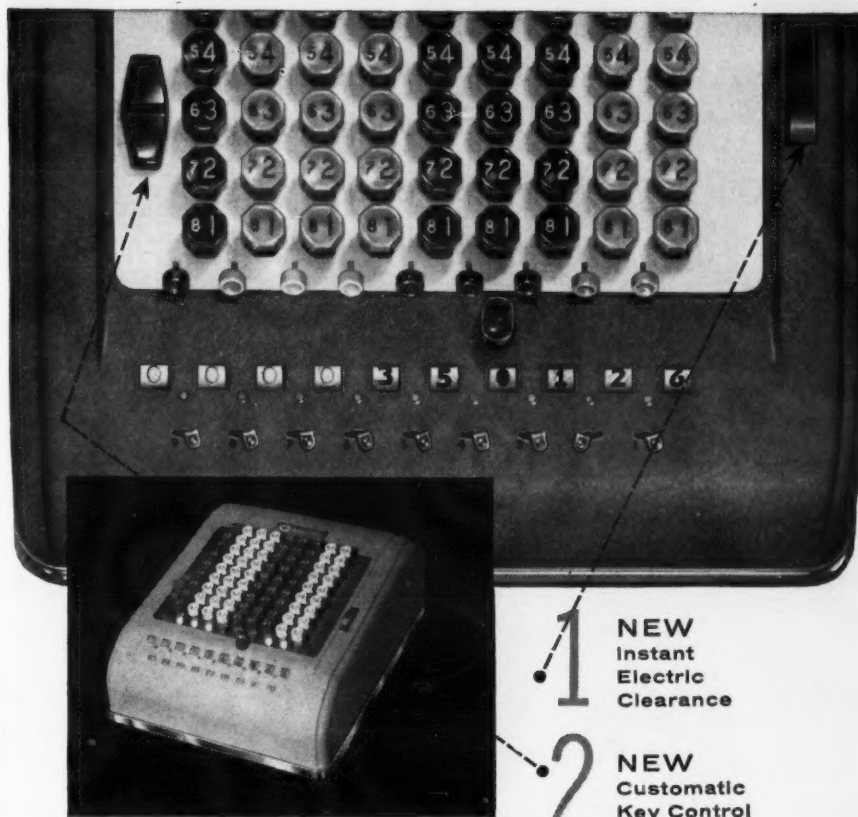
"This method of sales compensation," says Buell, "serves the double purpose of motivating salesmen to build sales and keep their selling costs down."

Salesman status. Formsprag does not depend exclusively on compensation to attract and hold the highly effective salesman. The company also considers the man's need for prestige and status—both to help him in his sales job and to satisfy his own need for self-esteem.

"In a big, well-known company," says Trapp, "the company name itself gives the salesman status and opens doors for him. In a small, less well-known company, this may not be true."

Trapp takes the position that one of the best ways to provide a salesman with a symbol of his company—and community—status is by providing him with an automobile better than the low-priced, stripped down model provided to salesmen by many companies. Trapp explains his thinking this way:

"I became acutely aware of the salesman's automobile problem some time ago. I felt that many companies didn't use good judgment in expecting sales personnel—\$10,000 to \$12,000 a year men—to ride around in three-year-old, stripped-down models of the cheapest cars on the market. It doesn't adequately reflect the importance of the company; it doesn't give the men themselves sufficient standing either with their customers or their own neighbors. As a result it has a bad psychological effect on them which is bound to be reflected adversely in their sales. While I was at Westinghouse, I helped to gather facts about the cost of operating salesmen's cars. This survey showed that, taking into consideration the



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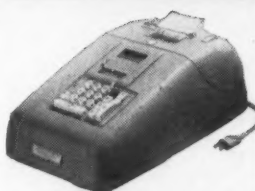
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market value of a car when it comes time to trade it in, the stripped-down models are definitely a false economy—strictly from a dollars-and-cents point of view.

"The automobile a man drives is recognized as being one of the most generally acknowledged status symbols today. That's why at Formsprag we now supply our district managers with cars in the medium price range—Oldsmobiles and Buicks. Ours sales engineers get top models of either Ford, Chevrolet or Plymouth. All the cars are completely equipped. We lease them under a fleet rental contract from Hertz, and each man gets a new car every 16 months or 40,000 miles—whichever comes around sooner. We feel this policy is a definite economy. In addition, it makes our sales people better salesmen."

Small vs. big business. Can a small, one-product company survive in the battle for sales against companies that are in the big business category? Formsprag Co., with fewer than 200 employees and an annual sales volume of only about \$3 million, is evidence that a small company can not only survive, but prosper.

Because it has adapted to its small operation the sound management methods perfected by bigger firms, Formsprag is able to realistically set a short range goal for itself of earning a 10% net profit on its sales—a profit level well beyond the reach of most big businesses.

Says Vice President Trapp: "Let's face it, one reason Formsprag is a highly profitable company is that our product is used in few numbers in a lot of industries. The volume is not large enough for big companies to want to get into it in a major way. It takes a small, specialized company to provide the kind of individualized customer service required to successfully market the type of product we have."

President Lawrence Buell scoffs at any ideas that small companies are at a handicap.

"Service through specialization is the touchstone to success for any company that can't compete in terms of size," he says. "The small business that fails to face up to this fact isn't being killed off by big business or anybody else; it is simply committing suicide." ■

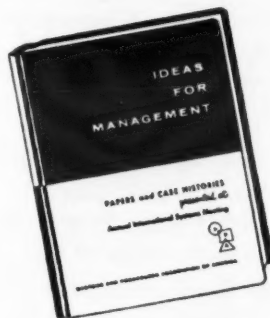
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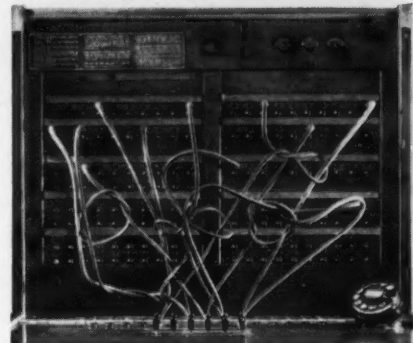
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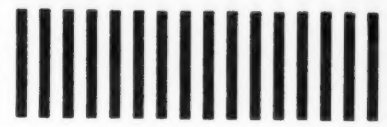
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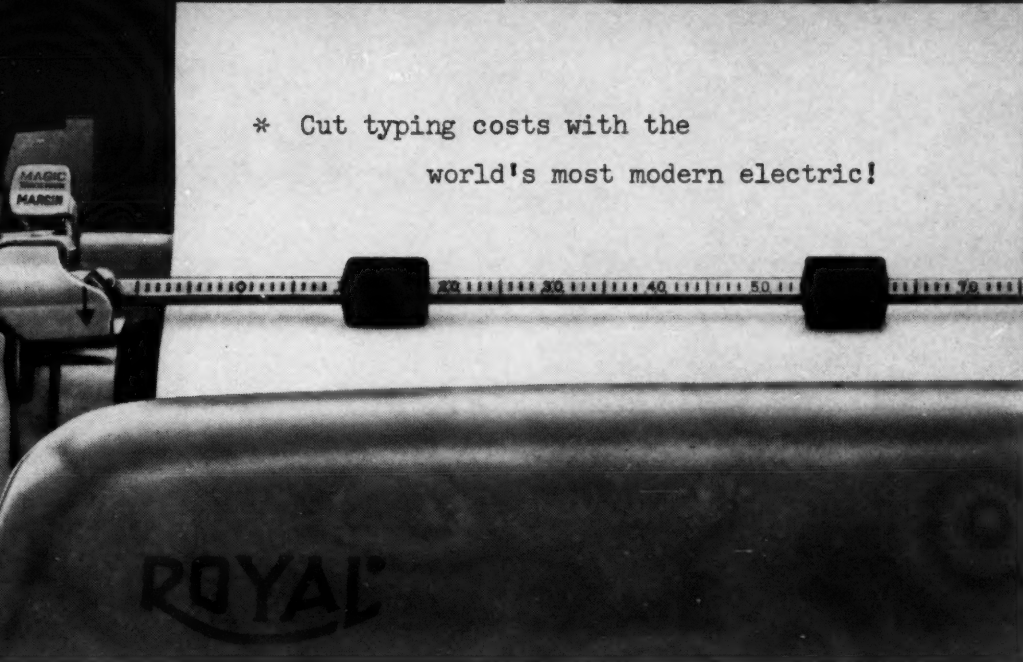
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